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NATIONAL WEEKLY OF  
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AND ECONOMICS

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#### PRICE INCREASE

DRAMATIC increases in all costs associated with producing a national weekly newspaper have forced the publishers of National Business Review to increase both subscription and cover prices.

From this week a subscription to 48 issues of National Business Review will be \$40.00. The cover price for bank shop sales is now \$1.00 per copy.

### Introducing ELECTION WATCH '81 and DATA PROCESSING

This week National Business Review introduces two new weekly sections — Election Watch and Data Processing. From now to November's general election political writers Colin James and Richard Fletcher will be analysing the electorates and the issues in depth, starting this week with an eight-page feature devoted to the Auckland scene... lose Auckland and you've lost the whole country as all three parties know well. Election Watch starts on Page 33.

With the new weekly feature Data Processing, NBR acknowledges the impact of new technology.

Data, or rather information, processing has increasingly broad-ranging relevance to all business people — no longer a narrow topic of interest only to the boffins in the "data processing department" or "computer room".

NBR has previously covered information processing news chiefly through a monthly "Computers" page. Now NBR absorbs its sister publication, NZ Data Processing and a DP supplement will be carried weekly, keeping readers up-to-date with the industry and the practical consequences of technological advance. Four pages of Data Processing start on Page 41.

## Winemaker hits out at rumour campaign

by Warren Berryman

PENFOLDS Wines' forthcoming \$2.5 million public share issue has been threatened by a concerted rumour campaign against the company.

Some rumours — apparently spread by competitors — have brought Health Department inspectors to Penfolds vineyards several times recently in a fruitless search for watered wines.

One competitor is known to have hired a private detective to catch Penfolds smuggling in grape concentrate in grape juice.

Other rumours have cast doubts on Penfolds' ability to pay its debts.

NBR inquiries indicate the rumours are being spread by at least three competing wine

companies (the Wine Institute has a membership of more than 100 companies).

Penfolds' problems have been aggravated by a decision by 14 Wine Institute members which — if acted on by the Government — could cut Penfolds' supply of grapes.

Penfolds' major shareholder and managing director Frank Yukich sought legal opinion on the rumour campaign and is considering defamation actions and/or punitive damages under the Criminal Proceedings Act.

With the public issue coming up late this month and a major export-oriented expansion planned, the bad-biting has taken on overtones that he felt he could no longer ignore.

He emphasises that the company has not been threatened

by the Health Department, nor served with a non-compliance order.

Last week, the company supplied NBR with documents and data that refute the rumours.

And a major Penfolds' financier has investigated the company and established to his satisfaction that Penfolds has had no problem paying its debts.

Penfolds' sales have rocketed from \$1.6 million in 1977 to \$12 million this year.

The company is building a \$1.25 million winery in Tasman and plans another winery in Blenheim within two years.

Its main strength lies in marketing; a major problem is a shortage of grapes.

To ensure supplies for future expansion, Penfolds has been offering contract growers a 40 per cent bonus increase in price on top of its estimated 12 per cent increase for next year's grapes to encourage them to sign 15-year contracts.

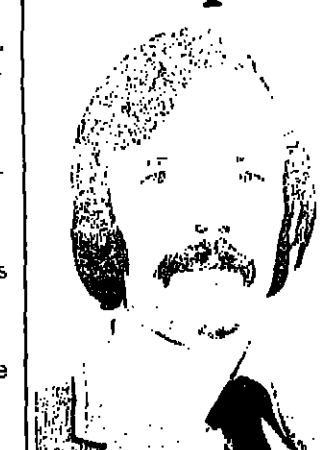
A special general meeting of the Wine Institute resolved to ask its executive to "immediately draw the Government's attention to unrealistic

Continued Page 16



Frank Yukich ready to retaliate

## MOT plans fares 'clean-up'



John Kennedy-Good... taking steps.

NBR Auckland Bureau THE Ministry of Transport is planning to take action within a fortnight to ensure that the international air fares market in New Zealand is cleaned up and stays that way. "Official" fares may be brought down in the process.

Ministry spokesman John Kennedy-Good told NBR that details of what would be done haven't been finalised.

He made clear that deregulation of fares would not take place. But he said a cut in "official" fares, bringing them closer to what he called "market" fares, was a possibility.

If the airline industry could afford the discounts it had been providing perhaps the ministry should start looking at fare levels, he said.

It is known that Singapore Airlines has withdrawn illegal net fares from the market after talking over a new lower fares package with the ministry. An-

Continued Page 3



The Penfold grapes... clean bill of health

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## Blacklisted plastics group probes telltale leak to PM

by Allan Parker

LEADERS of a \$50 million a year industry are today debating how to overcome a Government blacklisting that has effectively cancelled out contact with Cabinet over restructuring proposals they say will destroy their industry.

They would also like to know how Prime Minister Rob Muldoon was fed a copy of a public relations proposal that outlined a campaign to pressure the Government against accepting recommendations of the Industries Development Commission.

Ministerial response to the leaked document was swift. Trade and Industry Minister Lance Adams-Schneider accused the Flexible Packaging Association — part of the plastics industry — of "a deliberately engineered cam-

paign to attack the Government on political grounds." Emphasising Government displeasure, he cancelled a meeting with the industry due to be held this month.

That meeting was to discuss fears within the association, whose members make plastic film and bags, that the IDC recommendations would expose their industry to low-price imports from Asia.

Association chairman Bill Foreman argued that up to 1500 jobs could be at risk. The industry, which includes such industrial heavyweights as Alex Harvey Industries and UEB, planned a counter-attack to reinforce its fears.

It approached Consultants, which prepared a lengthy proposal for the campaign strategy, centring on the unemployment threat.

NBR has learnt that the con-

sultancy advocated an approach to the Federation of Labour and trade unions associated with the industry to mount an attack against the IDC recommendations.

It also suggested approaches should be made to the two opposition parties and individual members of Parliament, with a view to getting questions and notices of motion raised in the House.

A clear intention of the campaign, NBR sources say, was the creation of a major political debate about job losses.

With the November elections looming, another industry restructuring argument stemming from industry studies and centring on feared job losses, would be embarrassing to the Government.

Hence, sources within the industry maintain, the ministerial reaction. Adams-Schneider was

adamant that "the Government does not accept the view that jobs will be lost as a result of the Industries Development Commission report."

The industry itself has been unable to discover who leaked the document to Muldoon, despite an intensive investigation.

The Plastics Institute of New Zealand (PINZ) is the main industry group, representing the various sectors that make up the \$300 million a year plastics industry.

The Flexible Packaging Association is a member of PINZ and it may have to continue negotiations through the parent body now that direct official access to Cabinet has been cut.

Industry sources contacted by NBR over the last week stick by the original Foreman statement, officially made in his

capacity as chairman, that argued against acceptance of the IDC recommendations.

Essentially, the IDC proposed a limited import tendering scheme to test the price of the Flexible Packaging Association's overseas competitors.

In its report on the films and bags sector, the IDC said: "The primary area of concern . . . is the apparent wide disparity between the prices of the domestically-produced packaging products and those of overseas producers and the flow-on effect this has in the cost/prices of user industries, particularly those involved in developing export markets."

Also, while recognising the industry as one with "considerable strength", it did not consider that "the interest of the economy as a whole, the user-industries (such as meat producers and supermarket chains) or the flexible packaging industry itself are best served by continuing the present protection policy which has virtually guaranteed local producers the total market."

The IDC then recommended a tariff and volume-related testing period which would allow a small percentage of its industry's products to be imported.

But, recognising the vulnerability of the industry to imported competition, the commission also added an escape clause that would allow "restricted reference" in cases where it is claimed that there is justification for greater protection on grounds other than one of disadvantage.

The industry itself recognises its vulnerability to overseas producers. The Foreman statement noted: "Because of a cheap labour and appropriate working conditions of developing Asian countries, we will be unable to compete in many cases against their imports."

Certainly, Asian-made films and bags are much cheaper. For example, fully made bags can be landed in New Zealand at a CIF price below the cost of the resin that New Zealand manufacturers pay.

August 3, 1981

August 3, 1981

National Business Review

The week

## New coastal shipping service will vie with railways

by Warren Berryman

THE tides of trade are swinging around to coastal shipping again after many years of railways domination, bringing in the possibility of cheaper internal transport costs.

A new coastal service from Onehunga to Timaru was announced in Auckland last week and another coastal service is under serious consideration by a major shipping company.

Transport experts have frequently pointed out that New Zealand is ideally suited to coastal shipping. All but two of our major cities lie along good ports, and the country's mountainous interior makes road and rail transport expensive.

But the Government's fostering of New Zealand Railways has helped to drive coastal services from our shores except the Shipping Corporation's Coastal Trader.

Meanwhile, internal freight

costs have risen to such a degree that it is often cheaper to ship from Auckland to London than to Dunedin. (Example: it costs \$4.87 to ship a case of wine from Auckland to Dunedin and \$1.90 a case from Auckland to Tokyo.)

Coastal Shipping Ltd, a newly formed \$250,000 capital company, and its agents, Reef Shipping Agencies Ltd, will operate a two-weekly service down the West Coast within five weeks.

The ship, a chartered 2600-tonne general cargo-container vessel will ply between Onehunga, New Plymouth, Picton, Lyttelton or Timaru and possibly Wanganui.

The ship, a former island trader, the Pijuit, will be renamed the MV Onehunga. It was chosen because of its shallow draft, needed to cross the bar at the entrance to the Manukau Harbour.

Coastal Shipping Ltd and Reef Shipping Agencies are both owned by Thomas McNicholl and Auckland lawyer, Derek Firth. McNicholl is the majority shareholder in both companies.

McNicholl said the service would be door-to-door. While the ship has 12 refrigerated container slots the bulk of the trade would come from carrying building materials to the Taranaki energy projects. The diesel-power ship has a working speed of 12 knots — not particularly fast. But because it carries its own cranes, it can work any of the minor ports — a distinct advantage over other vessels.

The new service appears to have the support of the maritime union, particularly the wharfers, because it provides new employment.

The company is already looking at a second ship to serve the East Coast North and South Island ports.

Freight rates would be competitive with New Zealand Railways, McNicholl said.

The Coastal Trader operates a weekly service between Auckland, Lyttelton, and Dunedin.

Cargo carried on this vessel will total about 300,000 tonnes this year — a 10 per cent increase over past average ton-

nages. Freight rates on the Coastal Trader are about the same as rail if averaged over the full spectrum of cargoes.

But because Railways charges its rates on weight and the Coastal Trader on volume, a system has emerged where the Coastal Trader gets the heavy dense cargoes and rail the lighter bulkier cargoes.

This service, subsidised until three years ago, is now running profitably without a subsidy.

Another coastal service is being studied very seriously by a major shipping company. A decision is expected soon.

Because coastal services could take cargo from New Zealand Railways and add to rail's losses, the shippers are wary about quoting freight rates and expansion plans.

## Take-off for new Europe services

by Allan Parker

SINGAPORE Airlines has won Ministry of Transport take-off clearance to offer high-flying Kiwi travellers one-way and round-trip excursion fares to six new European destinations.

The airline already has full

approval to offer the service to Frankfurt, Paris and Copenhagen.

It has now been granted rights to provide the excursion fares to Amsterdam, Brussels and Zurich. And conditional approval has been granted for Athens, Belgrade and Rome.

Although the airline does not necessarily fly to all these destinations, the AICL decision means Singapore Airlines can link up with other airlines that do fly into them.

The airline expects the new services to come on stream "imminently".

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RESERVATIONS



## Week that was . . . and will be

BRITAIN'S Labour Party revealed plans to take Britain out of the EEC within a year of gaining power.

THE Synthetic Fuels Corporation deemed acceptable most Commission for the Environment recommendations on its proposed synthetic fuels plant.

THE building of the almost-complete Nelson post office tower block and telephone exchange was adjudged unlawful in the High Court.

MELBOURNE shipping disputes were holding up thousands of tonnes of New Zealand freight.

TUESDAY: Taranaki bar conference. Wellington Manufacturers Association New Plymouth.

Ballins Industries Ltd AGM Christchurch.

Collingwood Holdings Ltd AGM, Auckland.

WEDNESDAY: 1981 Festival seminar, Napier.

Music Traders Association conference, Rotorua.

THURSDAY: Schofield Holdings Ltd AGM Auckland.

Independent Newspaper Ltd AGM, Wellington.

FRIDAY: Wilkins and Day Ltd AGM, Auckland.

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## MOT steps in on fares

From Page 1

Announcement of the new package between Auckland and Singapore is imminent.

Kennedy-Good's comment follows NBR inquiries about ministry reaction to a letter recently sent by United Holidays managing-director Barry Fenton to members of his travel network, notifying a shut-down of illegal fares because the market was about to be "cleaned up".

Fenton's letter promised the net fare trafficking would be reopened in 30 days if the market did not stay clean.

Other agencies selling Air New Zealand net fares have announced an end to these activities, at least for the meantime.

Transport Minister Colin McLachlan and the ministry had been reluctant to acknowledge to the media that illegal discounting was occurring. They said there was no evidence to support claims by NBR and other media that fare regulations were being breached.

But Kennedy-Good said last week: "We are very concerned about the situation and we are gratified to see that United Travel and others are cleaning up. We expect that to be permanent and the Ministry of Transport does propose to take

appropriate action in the next couple of weeks to ensure that that actually happens and remains a permanent feature of the New Zealand marketplace."

In the meantime, the ministry has warned Singapore Airlines to get out of the net fares business. SIA had been acting openly to agents in response to Air New Zealand's marketing of net fares through middlemen.

SIA had declared it would offer the fares to any bona fide member of the Travel Agents' Association of New Zealand. Air New Zealand's net fares have been available only to members of restricted cartels.

SIA won't talk about the matter. But Kennedy-Good confirmed that a discussion had taken place and the airline had agreed to withdraw its net fares.

SIA had moved into the illegal market directly to protect its share of the New Zealand-Singapore business and the ethnic business through to London.

While the industry looks on, the ministry now has the problem of making any rules credible in the absence of firm regulatory action during the growing market turmoil over the past few months.

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- \* Facts from the franchise 500 survey
- \* Pets — booming franchise opportunity
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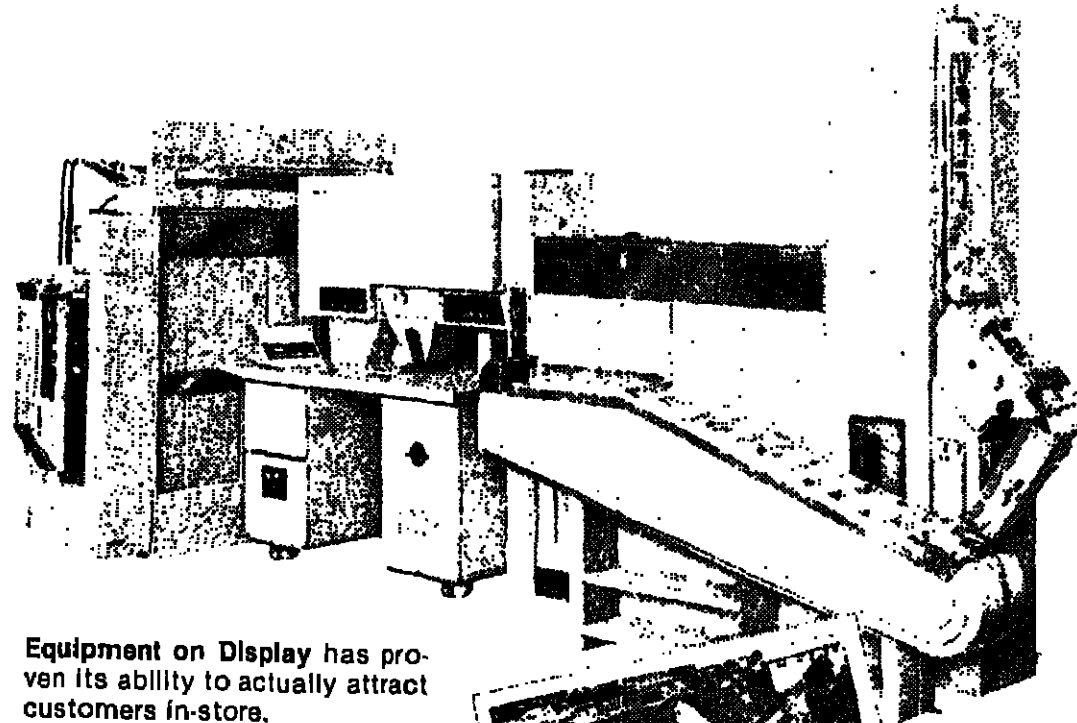
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## French still see home viewdata market potential

by Stephen Bell

EVEN though the British Post Office is disillusioned with the home-user Prestel market, the potential for domestic use of videotex (viewdata) had still not been fully tested, says former Prestel co-ordinator Roy Bright.

Bright, now managing-director of French national electronics export venture Informatique, was in New Zealand last week, demonstrating Informatique's offerings to Government and the private interests.

The French government-

backed "telematique" — electronic information — programme has a heavy videotex emphasis and trials of the Teletel videotex system have now started in 3000 suburban Paris homes.

Bright blames the inadequate exploitation of Prestel's interactive potential, as well as the high price of the equipment for the lack of home penetration. Prestel is an essentially "unidirectional" information retrieval service; it will allow the subscriber to call up an airline timetable or theatre programme, but not to make a booking.

Teletel is much more "interactive" and subscribers are supplied with a full typewriter-like keyboard to "talk back" to the "service providers". The crucial communications elements are the user's telephone line and home television set.

There is a distinct possibility that interactive facilities will appeal more to the home user than the purely passive Prestel-type service, says Bright, but he admits that this remains to be proved.

The interactive orientation is linked to the relative roles of Post Office and service pro-

viders — a crucial question still hanging over planned New Zealand videotex services.

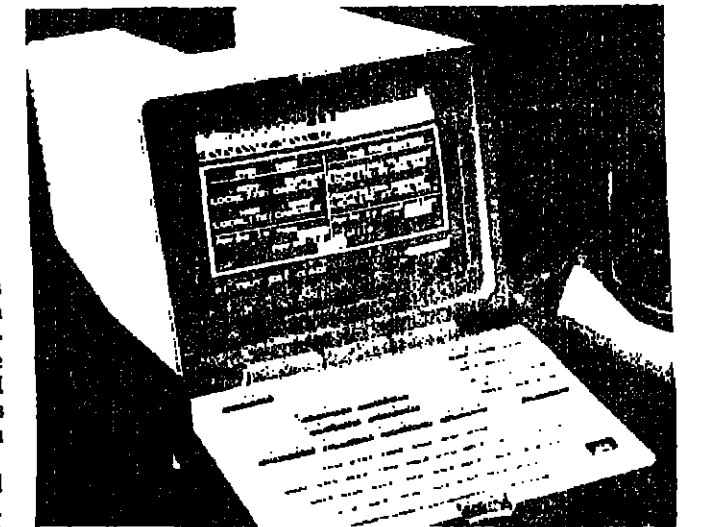
Service providers on France's Teletel operate their own computer equipment linked to the network. In Prestel, by contrast, the British Post Office operates a central computer facility and the providers merely pipe information into this.

A centralised structure gives rise to security fears which discourage interactive participation of important service providers, says Bright. "If I were a bank, I'd feel nervous about putting account data on the Prestel computers."

Bright is thus firmly behind the Teletel-type organisation. Asked if he felt his visit could influence Government to direct NZ videotex down this road, he replied "I hope so."

The first report of the Communications Advisory Council suggested that information providers should operate their own facilities, but this now seems a less certain prospect.

Service providers for the French trial include the



Compact directory enquiry terminals . . . planned ice-breaker for mass French use of electronic information technology.

railways and the Club Med holiday chain. At least one service provider supplies "mailboxes" for subscribers to leave messages for each other.

About 300 users in the Teletel trial will be given an extra dimension in interactivity with an "intelligent" plastic card with incorporated microchip. This can not only identify the user but store and input information, allow payment for services to be made from the Teletel terminal.

## Number three — and trying harder?

by Warren Berryman

ALMOST as it was putting to flight all those theories about the liquor industry being dominated by two oligopolistic cartels, Ballins Industries, owned 25 per cent by Lion Breweries, is selling competing Dominion Breweries beer cheaper than Lion.

Ballins launched a big sales campaign a week or so ago offering cases of DB for \$7.99;

the price of Lion beer remained at \$8.99 a case.

According to a Ballins marketing man, the Christchurch market is heavily into discounting and Ballins was in to win.

Industry sources thought it significant that Lion chairman Sir Ralph Thompson put himself up for election to the Ballins board in tomorrow's annual meeting. Lion's big share-

holding in Ballins should ensure his appointment.

Sir Ralph would not be drawn on what he would do about Ballins selling the competition's product; he told us he was not the marketing man and assured us he would act in the best interests of Ballins.

## Feltex unrolls Cardin

by Lindsey Dawson

FELTEX New Zealand has spent almost \$3 million in developing and launching its new range of carpets designed by Pierre Cardin.

The Feltex International Designer Collection is getting simultaneous publicity in New Zealand and Australia, with TV advertising kicking off this week.

This is Feltex's first major push into the domestic carpet field overseas, and Australian promotions will be followed by sales efforts in Singapore and Hong Kong.

Feltex Furnishings general manager John Burridge said that the company had been working on the project for more than a year and that getting the Pierre Cardin name on its carpets was a "major coup", as six other international companies had tried to interest him in carpet design in the past.

Keeping the project under wraps has been quite a security problem and the company dubbed the plan "Project Kermit".

to avoid mention of the name "Cardin" during development work.

There are six new carpets in the range, and they will retail in New Zealand from \$109 to \$169 a metre. They are all-wool except for two 80/20 wool/hydon carpets and are heavy duty standard. They include Berber-style pile, a plush velvet, a subtly-shaded jet-dyed carpet and a traditional "carved" carpet.

The colours are not "play-it-safe" Kiwi style. Pale apricot, powder blue, sea-green and grape are included.

Feltex market research on domestic carpet showed that people were just as keen to buy designer-named carpet as they are to have jeans, bags and everything else.

"Carpet is an expensive purchase. The designer name gives people reassurance that the carpet is made to the highest international standards.

"This product is aimed at the upper end of the market. People are prepared to pay for quality," Burridge said.

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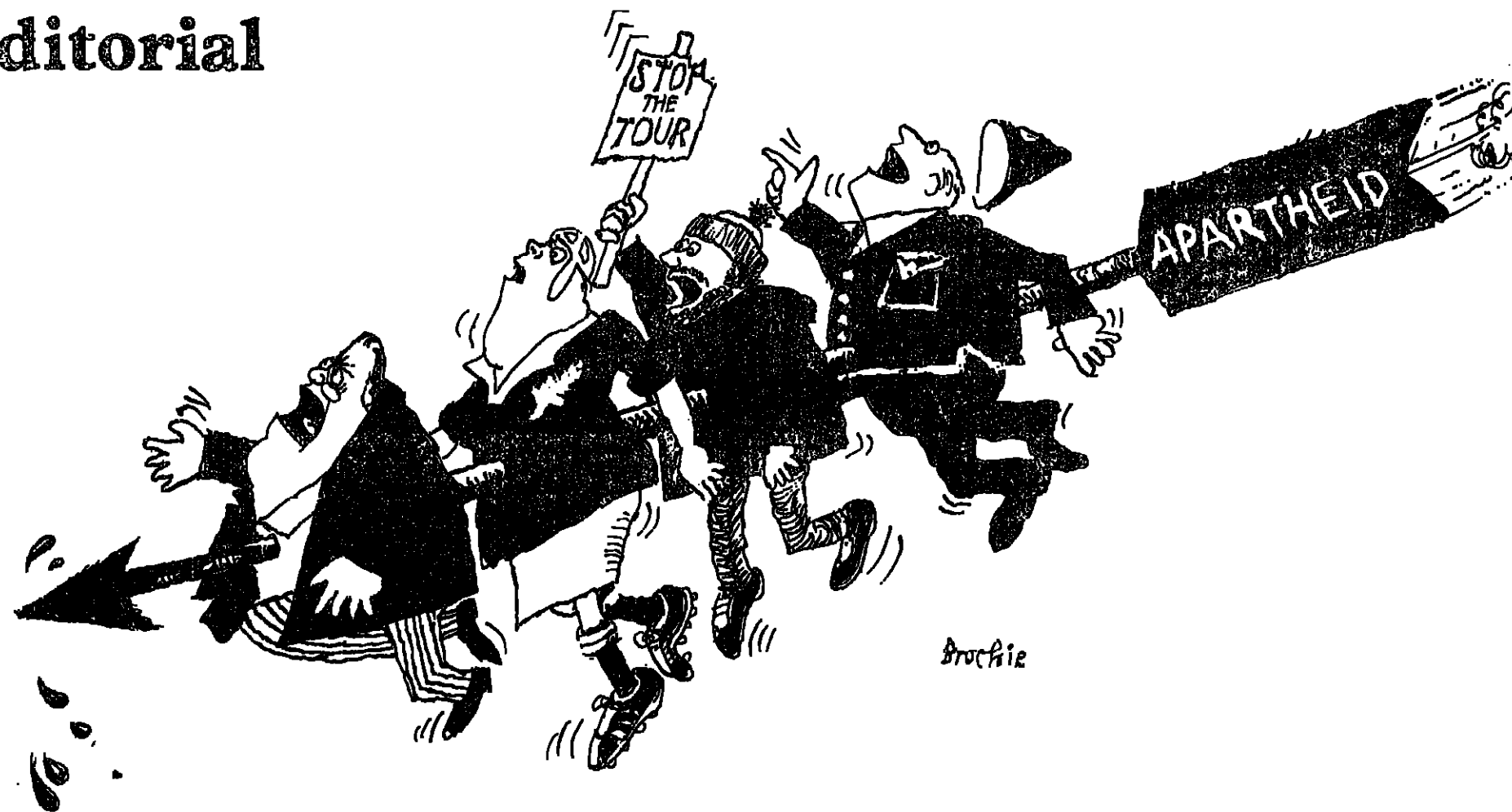
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## Editorial



WAVING the banner of individual freedoms — but bearing in mind electoral interests which it may have miscalculated — the Government chose to allow the Springbok tour to proceed. It thereby chose to promote division. Even Prime Minister Rob Muldoon recognised that the tour would be "a disaster". He said he didn't think it would do any good for New Zealand, South Africa "or anyone". In fact: "It's going to be a sour, sour tour which creates a great deal of dissension."

The Government knew the inevitable consequences of its decision; it knew that trouble was unavoidable. It must have known, too, that exhorting protesters to keep away from Springbok matches to avoid violence ("Keep your protesters away and you will avoid disruption and the splitting of this country," was Muldoon's facile advice) was futile.

The protest leaders declared in June the outline of their planned programme of civil disobedience; they expected to be arrested if the Springboks played here. Whatever hopes might have been held that protest would be peaceful, the battle lines then had been drawn and violence was bound to result. Many might have been dismayed, but few should have been surprised, when — at Hamilton — property was smashed, the rugby pitch invaded, and many demonstrators prepared themselves for something other than peaceful protest by arming themselves with smoke bombs and carpet tacks to spread on the ground. Nor should anyone be naive enough to think that rugby supporters — frustrated by what they see as a

gross interference with their rights — will not take the law into their own hands at some future match much more vigorously than they did at Hamilton.

Despite the grim forebodings, Deputy Prime Minister Duncan MacIntyre duckshoved responsibility to the Rugby Union and the police, while Muldoon chose attendance at the royal nuptials as a matter of higher priority than his immediate return to deal with the rapidly developing disruption and disorder on the domestic front.

Certainly, the Government faces a classic democratic dilemma in having to determine where the rights of two sharply conflicting and numerically powerful factions end. It might start by attempting to understand the passion of the protesters. And it should accept that much of the protest movement's frustrations stem from the Government's failure to live up to its commitments. Simply, the Government flouted the spirit of the Glenageary Agreement; the visas question aside, Muldoon fell far short of making every effort to dissuade the rugby union from proceeding with the tour.

Further, the tour proceeded in the face of significant opposition — a majority of the population, polls suggest, including a broad range of interest groups from the churches to trade unions. In contrast, only the intransigent rugby union, and quickly organised groups like SPIR and a few vote-sensitive back-bench MPs seem to be giving organised approval to the tour. The Government also allowed the tour to pro-

ceed against the vast weight of evidence that there would be international repercussions. Once the Springboks arrived, what were opponents expected to do? Protesters with strong convictions who have chosen to resist passively can't do that effectively if they are stopped from getting to where they want to protest.

Similarly, rugby enthusiasts will become angry if their expectations are not met. But the frustrations of a rugby crowd are that much exacerbated if they are sitting in a grandstand, having paid their way in at the gate, when their entertainment is thwarted by protest action. It is better, surely, that such a provocative confrontation is averted. But by what means?

The police were put in an almost impossible situation at Hamilton — and handled it with laudable prudence. To have resorted to baton charges, tear gas or whatever would have invited the involvement of rugby supporters in an all-out bloody brawl; it would have given the protest movement martyrs whose names could be invoked in the cause of more aggravated protest; it would irrevocably have tarnished the reputation of our police just as the tawdry image of South Africa's police is forever enshrined in the shames of Sharpeville and Soweto. Ominously — in the wake of emotive appeals for law and order — in Wellington last Wednesday we saw what Police Minister Ben Couch described as a new phase of policing. Police batons were used in a short but savage foray which left protesters bloodied and more determined than before.

Law and order may be imposed by the

exercise of state force. It may also be restored by removing the cause of riotous. In light of the protest movement's determination to protest irrespective of the police force amassed against it, the nation's agony must last as long as the tour continues if the first course is adopted, every game that is played will be marked by demonstrations, and the likelihood of pitched battles embracing tour supporters as well as demonstrators and police will increase. The objective of securing law and order through strong-arm tactics, before the tour is completed, is remote.

This government has a reputation for pragmatism, and the divisiveness resulting from the tour calls for a pragmatic approach. To abandon the tour may be seen by some as a surrender to the organisers of lawlessness and disorder and the abrogation of cherished principles of freedom. But if the tour continues, we are reduced to providing an army of policemen reinforced for logistical purposes by military personnel to keep rugby spectators happy and to sustain unpopular sporting links with racist South Africa, the pariah of international politics.

Stopping the tour wouldn't be the first surrender to civil disobedience. Similar tactics were employed by the suffragettes to win women the vote, by India's nationalists to secure independence, by the civil rights movement in the United States to win a fair deal for blacks. The law was deliberately defied; in the upshot, democracy not only survived the turmoil, but emerged enhanced.

— Bob Edlin

### Without word of a lie

### Not MOT, surely?

OUR hard-working friends at the Ministry of Transport, straining at the leash while they wait for someone to present them with cast-iron evidence that the air tariff regulations are being broken, can assure us that by ignoring travel industry grizzlings, they are showing they have no favourites among the airlines.

Naturally, we believe them, and can only dismiss as vindictive nonsense the story that when one overseas airline complains to the

ministry about breaches of the regulations, it consistently gets return phone calls. Not from the ministry's policing body, but from Air New Zealand, assuring its competitor that whatever has been complained about is all quite legal, thank you very much.

### A whining roar

THE Health Department may have caught on to the idea that the water-into-wine trick isn't so much miraculous as naughty.

It seems the department has been threatening vintners and pubs with non-compliance orders for making or serving watered wines.

One recent target was Lion Breweries, after the department discovered that what was served as wine in a Lion pub contained too much tap water.

The Lion growled at the vintners who sold the stuff — with the next batch of wine, it asked for letters giving assurances that it contained the legal amount of grape juice.

### Sheila be right

A NEW kind of woman is now being promoted on the job market. Her name is Sheila. The difference between her and other female applicants is that she can design ledger reports, control credit, do depreciation accounts and cost jobs without lifting a finger. Hartley Computers has stretched the rules of anagram to their limits to produce their latest computer — a System by Hartley for Entirely Integrated Ledger Accounting.

## The public service: illusion and reality

by D McAllister and F B Shorland

WITH a few notable exceptions, such as Rotary, The Plunket Society and some religious groups, including the Salvation Army, organisations which purport to serve the public in fact get the public to support them.

This leads to the proposition that buses are for the benefit of the bus drivers, hospitals are for doctors, universities are for academics and schools are for teachers. To imagine otherwise is to suggest that a king or a prime minister is there for the benefit of his lackey or that a hunter is for the benefit of the animals.

That organisations set up to serve the public may sometimes achieve their ostensible objective is not denied. But such a result is an incidental offshoot of its main purpose, which is to maximise rewards, especially salaries, of the directors and staffs involved.

The belief system promulgated by organisations which purport to serve the public carries with it many justification components. The most notable is that the ostensible objectives would be achieved by increasing expenditure.

Thus crime would be eliminated by spending more on the police force, health would improve immeasurably with increased numbers of doctors and education support, if adequate, would produce a millennium.

As we know, increased expenditure can increase staff numbers and their salaries without benefiting the public, mainly because expenditure has not been directed towards the problems standing in the way of public progress.

Government expenditure on health has risen exponentially to about \$1 billion a year. But the *New Zealand Official Yearbook* for 1976, shows that whereas in 1931 a man at 60 years could expect another 16.22 years of life, by 1972 this had fallen to 15.82 years. The obvious lack of return from greatly increased expenditure can be attributed to the fact that western-type diseases, which are now the main cause of death, are not prevented by hospital treatment, nor are they really cured.

Many would assert that the main offender, coronary heart disease, would be prevented by dietary intervention at an early stage as is advocated in the United States by the McGovern Select Committee on Nutrition and Human Needs in 1977. In fact we suggest that improved health will come from increasing awareness of the need for wholesome food and diminished meat and sugar intake.

Increased meat prices could improve male life expectancy, while increased expenditure on health along present lines would fail.



The servers... service an offshoot from salaries

You can be sure, however, that any improvement in life expectancy from whatever cause would be claimed as owing to the health industry.

Education — another main spender of the taxpayers' money — competes with health for funds.

Education could be the main way to save health expenditure, but efforts in that direction are minimal despite the existence of advocates in the Department of Education.

There should be an incentive, whereby savings in health expenditure attributable to efforts on the part of the Education Department can be added to the vote of that Department.

All we now get from increased expenditure on education are claims that the standard of literacy, as judged from the results of writing, spelling and power of expression, has fallen.

We also have the criticism outlined by Sylvia Ashton Warner in her book *I passed this way* that the organic method of teaching children which she developed in New Zealand was not appreciated. The unimaginative school inspectors reported unfavourably on her work.

It is greatly to our discredit that we are unable to recognise such local talent, which later found expression in North America, where she became famous for her innovative procedures.

Education has become a contributor to the development of a non-caring society bedevilled with the "what's in it for me" complex.

Whereas we blame education for shortfalls in the present society, we also believe that it could make a major contribution to the elimination of

TWO university lecturers, in widely differing disciplines, have pooled their efforts to produce a joint "scientific and sociological" view of the public service, in theory and operation. In an address to the Courtenay Place Rotary Club, F B Shorland spoke for both himself and D McAllister on the topic. Shorland produced this specific case study to illustrate his point:

ONE of us, in his innocence as a scientist, believed that organisations set up to serve the public were in fact infatuated with the object of public service based on an intensive and impartial study of the people's needs.

After giving evidence to the caucus committee on town milk, as spokesman for the New Zealand Association of Scientists, he was warned to the view that many organisations set up in name to serve the public ended up by having the public serve them.

The scientist was convinced that the object of the caucus committee on town milk — as the agent of the grant and good Government — was to provide milk in the most economical and convenient form and to protect the health of the community. That was the illusion based on the belief system he had found taught.

The reality followed when he found that such

current defects. These include the elimination of the myopic trend of concentration on one's specialised subject at the expense of all other subjects and the absence of moral considerations.

The only satisfactory basis for progress is for individuals and organisations to recognise that each must have an input into the total system, rather than the individuals or the organisations attempting to extract their requirements regardless of all else.

The situation may be likened to that of the parasite which, if it kills its host, will kill itself.

The model required is that of symbiosis. Thus in the ramen of the cow, we have rumen micro-organisms which are provided with pasture. In return the cellulose materials are converted to acetic acid to nourish the cow which could not otherwise survive.

The current education system is not really symbiotic in terms of integrating students into the total educational framework, nor in terms of integrating graduates into society for the benefit of the public at large. The progress of education depends on giving more attention to these matters.

The administration of justice is perhaps the highest form of public service wherein every conceivable precaution is taken to reach a just and fair decision. But those who have watched the system at work have certain qualms.

We have, for example, the recent case of Arthur Allan Thomas involving the murder of David Harvey Crewe and his wife, Jeanette Lenore. Two trials supported by police evidence based on jealousy, matching cartridge cases and bullets to the rifle of the accused as well as the axle and the wire used to sink the body, led to conviction and nine years imprisonment. Then followed Thomas's pardon and the Royal Commission, at which the firmly based evidence at the trials was demolished and whose report suggests misdeemeanour by some of those engaged in the trial involving the planting of the cartridge case and the destruction of evidence. One wonders if these matters will be brought to charge.

The futile exercise has been for the benefit of the legal profession, the police and the Government scientists. The only positive result has been that the forensic scientist, Dr Spratt, and others, have rescued a convicted man from prison and gained a pardon for him.

We all are at risk and if perchance we are suspect, we could be convicted though innocent unless rescued by a person of the calibre of Dr Spratt.

Thus public service can be worse than an illusion. It can render the greatest possible disservice to the individual citizen.

Earlier this century, civil servants were ever mindful of the need to serve the public in return for their salaries which came from the public via taxation. Letters were then signed in the form of "I have the honour to be your humble and obedient servant".

With the omission of this form of ending letters, later generations of civil servants have come to look upon the civil service as an employing agency which provides jobs for the qualified at the level appropriate to their qualifications.

This would be appropriate if the education system emphasised, as its main thrust, the application of learning to the service of the community, but this is usually a forgotten topic.

The existence of some civil servants who ge-

matters as the desirable levels of milk consumption and the proposals to add colouring matter and flavour to milk, despite the warnings of expert medical and scientific witnesses about hyperactivity in children, were of no concern to the committee.

He now suspects that all consumer submissions were ignored. Thus the consumer was there for the benefit of the milk industry and the name of the game was to sell more milk at the best possible price.

The deliberations of the caucus committee on town milk were followed by the Milk Amendment Act (1980), whereby the previously independent Milk Prices Authority was transferred to the Department of Trade and Industry and the Milk Board was reconstituted.

The Milk Board now has nine members made up of producers, manufacturers and vendors and only one consumer representative.

The board is thus structured to ensure that the consumer serves the industry, and not — as was intended — the reverse.

It is thus in a position to maximise the profit for milk dealers by advertisement, and direct subsidisation, including a returned and flavoured milk and other products, inspection of public road or health considerations.

The decision to return the milk bottle distribution system does not appear to result from deference to almost unanimous public support, but to ensure the retention of milk distribution by the vendors. The use of cartons would have led to increasing quantities of milk being sold in the supermarkets.

In 1977, it was found that the gross earnings of milk vendors were substantial — more than half of them had gross incomes of more than \$22,000. Despite the seven-day work, the hours are relatively short, enabling the more energetic to hold down another job.

To shed light on the above apparently anomalous situation, the scientist consulted an academic who specialises in the theory of public administration. The academic took the view that the caucus committee was merely a transient organisation, symptomatic of a general trend whereby an energetic bureaucracy increases its control over an apathetic public (a matter he had touched on in *Public Sector*, summer 1979).

In this article, the two have attempted to examine more closely the spread of bureaucratic control on the community.

minely wish to serve the public is not denied. All too often, however, the client public is required to be dutiful and civil and to listen to the instructions of an autonomous authority currently misnamed the public service.

The servants have now become our masters. With the proliferation of the service, we now have an array of important positions filled by persons without the appropriate abilities exercising omniscience and omnipotence to clients who may be much better qualified. Thus an alphabetic public becomes the servant of an energetic bureaucracy and the civil service is only for the benefit of the civil servants.

Similar considerations apply to other large organisations. Feedback from the public, an essential element in providing service, is nullified by the use of harassment processes — the labelling of opposition as traitorous, emotional, deviant or even unbalanced.

By naming opponents as stirrers, little else need be done except to reinforce the notion that Government departments are omniscient and omnipotent.

This disposes of questions about why the stirrers have been stirred, and avoids such time-consuming operations as logical argument.

By paying so much attention to questions of

apathetic and women's liberation, we have overlooked the serious matter of the growing class distinction between the public and bureaucracy and the need to clarify the respective roles of these groups.

There are doubtless many solutions to today's problems concerning public service. One solution is to set aside our present-day improper aspirations and dispose of the myth that governments, municipal organisations and private enterprise operate for the benefit of the public.

The facts are that policies are for the benefit of politicians, hospitals are for doctors, universities for academics, schools for teachers, and indeed all activities outside one's backyard are for the interests of others.

Clearly, therefore, we must not labour on our own behalf as far as it is possible. We must help industrial humanity and that humanity and public anger will cease.

The elevated will become more esteemed and the multitude will experience the joy of devoted service and of the millennium which they have hitherto sought in vain.

D McAllister lectures in political science and F B Shorland in biochemistry at Victoria University of Wellington.

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**NATIONAL BUSINESS REVIEW**

Published by Fourth Estate Newspapers Ltd  
Managing Director: Reg Birchfield  
Marketing Director: Ian F Grant  
Production Manager: Ralph Green  
Accountant: Robyn Pickett

Wellington Head Office:  
15 Ball Street, PO Box 9344, Wellington, NZ.  
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Advertising Sales:  
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PO Box 1734

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Sales (Circulations & Subscriptions):  
Sandra Barnes

National Business Review Incorporated Admin and NZ Data Processing and is a registered publication weekly, (except for last week December and first two weeks January)

Set and composed by Fourth Estate Newspapers  
Printed by R Lucas & Sons Ltd  
118 Kapiti Road, Paraparaumu

Single Copies: \$1  
Subscription: NZ\$40  
Member:

ABC (Audit Bureau of Circulations)  
BPA (Business Press Association)



## Letters

## Standards for NZ wine

RE the letter to the editor from Wine Institute executive officer, Terry Dunleavy, (NBR, July 27).

I do not want to get into a slanging match with Mr Dunleavy of the Wine Institute, nor indeed, descend to personalities, but his remarks that NBR writers continue to tell lies deserves some clarification or refutation.

He readily accepts my estimate of approximately 30 million litres of grape juice producing 46.6 million litres of wine in 1980, for he should well know that the 30 million litre figure is an overestimate.

I based my figures on 800 litres of juice per tonne of grapes, not the usual 600/700 litres simply to allow hand-somely for everything including "still wash" produced from lees and grape residues... for it all goes into the finished wines on sale and gives New Zealand such remarkable production figures from so little grape juice.

There is an interesting paragraph on page 57 of the IDC wine report which speaks for itself: "The wine produced per tonne of grapes in 1979 appears to have been 1120 litres whilst the forecast (the Wine Institute's) for 1980 is only 700 litres. It must be hoped that this has a statistical reconciliation and is not the measure of underproduction in 1979."

Plus hope! The figure for 1980 is 1330 litres — worthy of the Guinness Book of Records.

A significant crop of grapes off one-year-old vines (mentioned by Mr Dunleavy) would also be worthy of inclusion in that same book.

Mr Dunleavy might, as he says, be willing to accept that the 36,724 tonnes of grapes from the 1980 vintage was sufficient to produce 30 million litres of juice. But he errs on one significant fact. Though 36,724 tonnes of grapes were produced, as I wrote in my article, only 35,059 tonnes went into wine-making because 308 tonnes were sold as table grapes and 1358 tonnes went into unfermented grape juice, a separate statistical consideration.

A prominent member of the wine-making fraternity told me my estimate was far too high and that only 24 million litres of grape juice produced the 46.6 million litres of wine that year.

It is significant that one wine company has issued a press statement saying that, for the good of the industry, all wine should contain 95 per cent grape juice. In this it is backed by two or three other large wine companies.

But Mr Dunleavy says it was "not for any one company, let alone the whole industry, to make a summary decision and force changes in the buying preferences of those consumers"... a summary decision that, if implemented, would restore New Zealand's good name among other top wine-producing countries.

After consultation with the company concerned with exporting wine and sherry to Canada, I can categorically state that Mr Dunleavy's claim that sherry constitutes only 0.9 per cent of total exports is wrong.

The company concerned said it exported much more than the 3627 litres of sherry cited by Mr Dunleavy. In fact, it has 22 per cent of the British Columbia sherry market.

Mr Dunleavy's 3627 figure appears to have come from the Statistics Department's figures for category number 220500029. There is another category under which Mr Dunleavy could have found the rest of the sherry exports.

As for the statistical errors alleged by Mr Dunleavy, there is more than one way of taking an increase in the CPI. For a start the CIP basket was changed in 1971, 1974, 1977 and 1980, so one might start with different bases. But if we work on the present base, the CPI index in December 1970 was 305 and by June 1981 reached 1072 — an increase of 251 per cent. No matter how I juggle the figures, I can't come up with a CPI increase as big as the 287 per cent increase used by Mr Dunleavy.

I have great faith in the future of the wine industry and its potential for producing table wines at least equal to the best produced in the Southern Hemisphere countries of Australia, South Africa, Argentina and Chile.

If Mr Dunleavy pursued that goal with the same zeal he puts into defending the wine industry, there would be no need for NBR articles to be so critical. After all, the industry is there to serve the consumers, who are puzzled and alarmed at the deteriorating situation they see in an industry they like to fondly refer to as their own.

Frank Thorpy  
Auckland.

## Frank Thorpy has a fan

HAVING helped win a great political victory on behalf of his ministers the wine lobby — what a ridiculous and inapt name "the Wine Institute" is — isn't it time that Mr Dunleavy belted up?

As a consumer I've more than had enough of him and the activities of a few winemakers who produce nasty expensive plonk.

Mr Thorpy and Company, keep up the good work exposing these goings-on.

Terence W Hall  
Wellington

## The business of government

I AM sorely tempted to ask who is your writer, Ben Davis, but then I would run the risk of looking foolish if the answer turned out to be a world-famous expert on OD, a household name. So I won't ask that. But comments like "With 'what' is to be accomplished clearly stated, the 'how' should be left to those responsible for policy implementation" inspire little confidence in their author.

Perhaps that really is how the private sector operates, and perhaps that accounts for its stunning success in the modern late-capitalist world: success in creating paid work for all women and men who seek to work; success in maintaining ecological balance alongside socially-responsible industrial development; success in persuading the state to finance major infrastructural capacities to benefit the profit-oriented business world, and so forth.

That must be the secret — concentrate only on the formal and explicit goals, and leave the process to take care of itself. Clearly, there are gaps in the arguments which I assume will be filled in later — statements

like "besides the obvious misallocation of resources" or "permanent heads of departments are just that (remote). At lower levels, even serious failures of performance... do not result in even remotely comparable disadvantages to the public servants responsible, if indeed any penalties are imposed at all."

I feel a bit short on details here, but perhaps Mr Davis will come to the rescue.

There are problems, often extremely difficult to deal with, in running a modern state, and there are many occasions on which it can be demonstrated that politicians and public servants are simply not equal to the task.

But not all these problems arise from the irresponsible, supervision-oriented behaviour of the invisible lotus-eaters Mr Davis describes. They often arise from the political necessity of the democratic state to respond to the voracious demands of industry and commerce for

protection, preference and security (in the interest of private profit, primarily).

Further, as Allen Schick and other writers recently argued in an excellent book entitled *Fiscal Stress and Public Policy*, there are some inherent illogicalities in carrying the Davis-type proposals too far. The current cry is "our problems would be solved if only Government were more like business" (its not unlike that lovely song of Professor Higgins, and just about as valid).

A more businesslike government would be more efficient in its appropriation and use of resources, more responsible, more accountable, more consistent, and so forth.

Well, I suggest that there are very sound reasons why governments are not the same as business, and never can be, in the context of democratic societies.

Given the history of international capitalism, and its success in harnessing the state so

that public goods and services are diverted to private purposes and often quite venal private gains, it is not necessarily one of the great tragedies of history that governments do not have the same "bottom line" as the private sector.

It may indeed be one of the great strengths of modern governments, a strength which we may develop, and with imagination and ingenuity build on for the general benefit of New Zealanders.

Judith Aitken  
Wellington

## Printing in Japanese

I AM writing to correct an impression given by an article by Gordon McLauchlan (NBR, November 24, 1980) entitled "Where to go for Japanese."

This article says in part: "There are no Japanese language setting facilities in this country."

Since October 1980, here in Auckland Fuji Enterprises has been interpreting, translating and printing in the Japanese language. Possibly if we had a PR man of the calibre of Jale Spedding our efforts to publicise Fuji Enterprises activities would be better known. However, our message to the New Zealand business community is starting to come across and it is this: If you want to communicate with the Japanese market, do it professionally, do it with Fuji.

Fred Parnau  
Fuji Enterprises

On page 18 there is a reference to Big Maxwell's organisation in 1978, etc. should read more accurately that organisation was put together with from outside than that it was given from outside. And a reference to Cinematograph Films Appeal Bill, page 36 should be the Film Censor Board of Review. The Editor's section of NBR went to press before news section.

## Politics

## Hurrah for Charlie, and a glimpse of virtues past

by Colin James

THREE cheers for Prince Charles. Living proof that the Empire is not quite dead. A jolly bit of pageantry to brighten up our lives.

How splendid to go back for a moment or two to the days when red swatches splashed across the map and we did not need to think about whether to join in Britannia's latest war.

Then crowned heads would gather at each royal wedding/coronation/funeral to shuffle meaningless alliances over the port while tiara-ed ladies danced equally meaningless gavottes.

Now morning-suited heads of government gesture meaningfully at each other and solemnly discuss the seating for Malcolm Fraser's Melbourne Commonwealth conference.

A little bit like old times.

But the new times were there too.

Marksmen lining the rooftops. Irish terrorists dying on hunger fasts in British prisons.

And the freest society on earth represented by Nancy Reagan, surrounded by her three-piece-suited cloned bodyguards. A chilling reminder of the siege under which America's leaders live.

I saw the then President Jimmy Carter in the election campaign in November last year "mingle" with the adoring crowd.

Three bodyclones flanked him tightly to the right. Three more flanked him to the left. Three more stood in a pressing semi-circle behind.

Crabwise, this phalanx of fear moved leftwards. Carter, tautly smiling, handshook the front row of the audience as one by one they came into his



The will of the majority.

blinkered vision. Around him, and scattered round the crowd, the bodyclones twitched and contorted in search of the assassin's gun.

In Gisborne last Wednesday morning around 8.30 an air force transport plane pulled up at the terminal, boarded a dozen or so helmeted police and took off.

Another phalanx of fear. And later that day more

phalanxes of fear twitched and contorted in the precincts of Parliament. Jumpy plain clothes men barred doors to reporters. Explanation: "We don't know what they are going to do."

I have seen a dozen or more demonstrations in Parliament grounds, some of them numbering many thousands. Sometimes there were scuffles and arrests.

But always before there was a confidence among the police, a sense of liberality born of familiarity with protests. Reporters in those days could come and go doing their job.

But this time the mood was tense and grim. For hours beforehand all doors except one were barred and police prowled the corridors. When the 1000 or so anti-tour marchers turned out of Parliament grounds heading for the South African consul's house, police belaboured them with their batons.

It is called law and order.

Our politicians bravely paraded their jutting jaws inside to empty galleries — empty because the public were turned away at the door to their House.

It is called democracy.

One of the MP's number, a woman, Marilyn Waring, has been beaten outside a rugby ground by enraged men denied their vicarious ration of a man's sport, a sport that in men's myth ennobles the character, teaches co-operation and sportsmanship.

It is called freedom of association.

A column of indignant anti-apartheid demonstrators had wheeled with military precision behind hardened professional wreckers through a gap hacked in a fence, shoved aside police and invaded a football field unlawfully to deny footballers their lawful game.

It is called peaceful protest. The rhetoric has become irrelevant. Prejudice, fear, ad-hocery, hate and meanness add up to dishonourable confusion.

The division this tour causes follows none of the established political cartographer's rules.

Most political divisions in New Zealand run horizontally through society, along class lines. Though classes may be less well defined there may be more spillover than elsewhere, the great boundary lines between Labour and National, or between union and employer, are essentially class boundaries.

But the tour runs like a laser vertically through this convenient construct. Families are divided, workmates fall out, middle class drawing rooms wrestle with "freedom" and "morality".

I have talked to meek librarians, small pillars of provincial society, who have found themselves, by conscious choice, in the streets in the company of hardened campaigners whose hate for the Government in this matter is part of an aim to totally reorder society.

Effete libertarians find themselves on the same side as rough-neck rugbyists whose civilised veneer is thin. Small wonder that the two main parties appear anything but in command of the political debate.

Where is the representation in Labour ranks of those thousands of their working class supporters who want this tour and want rid of those layabout protesters who are interfering with their simple pleasures? Where, apart from Marilyn Waring (and, I think, Brian Talboys) is the representation in National ranks of those thousands of middle-class liberals who wanted this team of apartheid-proclaimers never to come and who take no joy in police baton charges?

One might ask where the consensus is back home on the tour and what mighty endeavours he has made to build it.

When the batons of the phalanxes of fear are needed to force the will of the rugby-loving majority on the substantial apartheid-hating minority, we are a long way from consensus. Let him who casts the first stone...

If MP's were truly to represent New Zealand in this issue they would not be squeezing it unnaturally into party lines drawn up according to the usual horizontal rules.

They would — as they did in that other great vertical debate, abortion — be formed into cross-party alliances.

But, no, acting Prime Minister Duncan MacIntyre proclaims "unanimous" support from his MPs for his assertion that the issue is one no longer of apartheid but of law and order, though the unanimity clearly does not extend to Waring nor, I understand, to Talboys.

(It is perhaps this sort of infuriating frustration that led Talboys to his statesmanlike ejection from the House at the very time last week's column praising his statesmanship went to press.)

The law and order issue puts the "majorities" on the tour in their correct light. Those who opposed the tour in Heylen Falls for fear of disruption and violence were never really anti-tour — and their numbers made the difference between a "majority" for the tour and a "majority" against it, as the polls insisted.

The Government has thus for the moment grabbed the majority position behind a set of (that inadequate) police ranks and squarely facing the minority anti-tour protesters. There was no public word of surprised sympathy for wrong-headed Waring, as one would usually expect when a fellow MP is roughed up.

The police knees and elbows, the buttons and jogs and tears (but not, since we are not — yet — like the South Africans, bullets) will carry with each punch and blow, bite and gasping cough the Government's imprimatur.

Some loosely talk of a snap election while the law and order majority is behind their ramparts. It is tempting to see in their way, drawing on the experience of 1951 and Tania Harris' march.

But both 1951 and the march were essentially operative on the horizontal principle — digusted Labour-class voters temporarily deserting their party into no-man's-land, ready to return when their militant unionist class-mates behaved themselves more congenially.

Whether, in the sharp horizontal focus of an election, Labour-class voters who now find themselves artificially on the National side of the vertical tour line would stay there is a moot point.

An understandably uncertain Prime Minister has apparently sent out the word there is to be no snap election.

Meanwhile he runs in London that the Commonwealth — gathered there to pay glittering homage to Prince Charles — is in jeopardy because it has abandoned consensus and is resorting to the clobber-stick of majority rule to try to force us to curtail our democratic freedoms.

One might ask where the consensus is back home on the tour and what mighty endeavours he has made to build it.

When the batons of the phalanxes of fear are needed to force the will of the rugby-loving majority on the substantial apartheid-hating minority, we are a long way from consensus. Let him who casts the first stone...

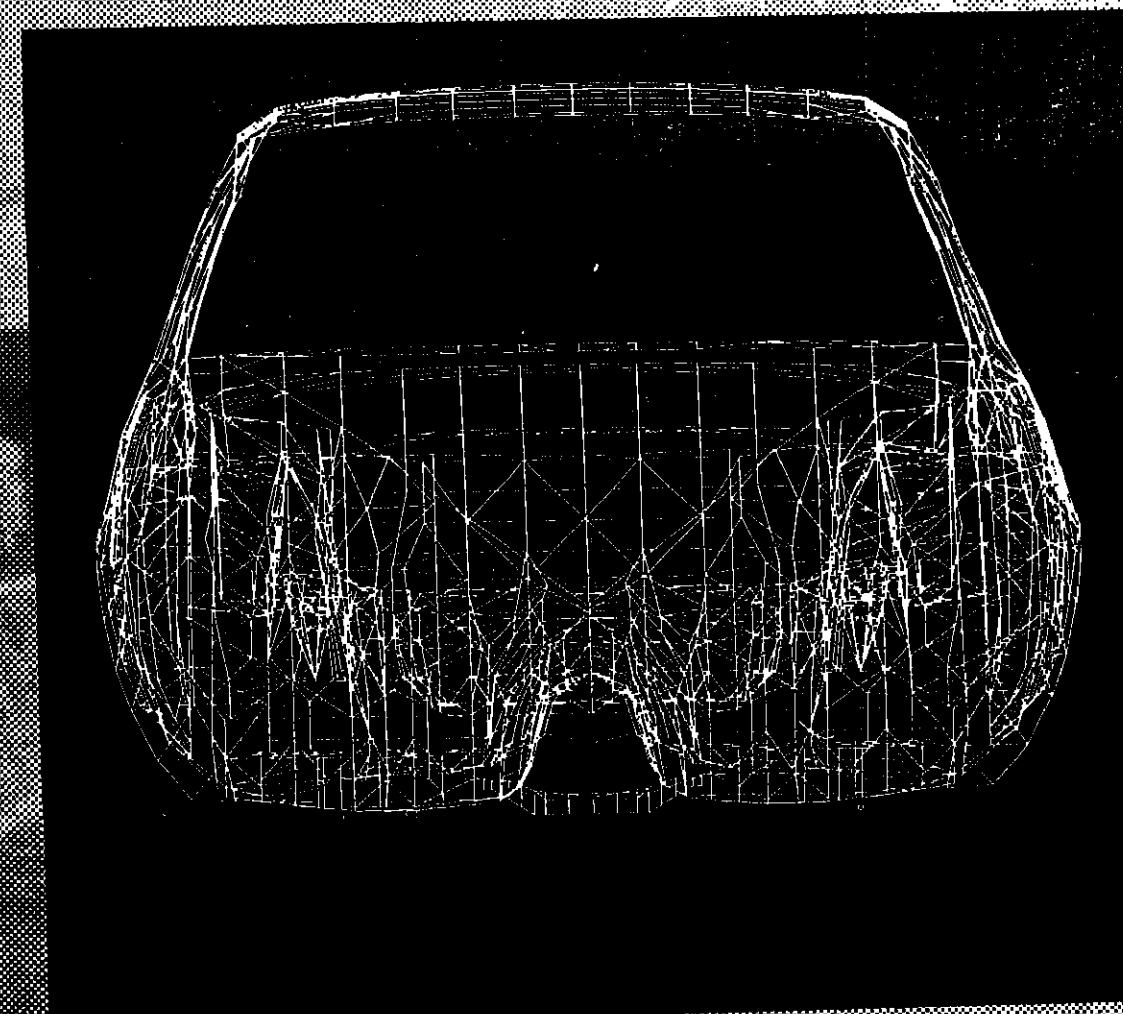
## THE TOYOTA EDGE



## OUTSIDE: You can see the difference

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And tough, smooth enamels. You can see that a Toyota is built right. Built to last. Backed by the integrity of every Toyota man and woman. That's the Toyota Quality Edge.



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## Finance

## The business week

**AIRWORK (New Zealand) Ltd:** Unaudited consolidated net loss after tax and minority interest \$225,182 (last year profit \$235,861). Greatly increased fuel costs were a major contributor to the loss but the company is undergoing a restructuring programme, part of which includes transferring the company's topdressing operation to another company, **Airwork Agricultural Aviation Ltd** and further details will be released in the future. The directors of Airwork say **Brierley Investments Ltd** and **A Hubbard**, of Timaru, have recently increased their shareholding to 20 per cent each. A final dividend of 5 per cent is recommended. The AGM will be held September 18.

**Alecan New Zealand Ltd:** Group net profit for half year ended June 30, 1981

\$1,674,000 (last year \$1,583,000). An interim dividend of 10 per cent will be paid on November 1, 1981, the same as last year.

**Aloy Steel (NZ) Ltd** has received an increased bid of \$3.50 for each ordinary share from **Farrar Dunedin Engineering Ltd** which is being considered.

**Atlas Majestic Industries Ltd:** Unaudited group loss for year ended March 31, 1981 of \$3,511,236 less a \$1,156,511 asset revaluation. The result is after making special provisions totalling \$2,102,000 which relate to the final restructuring of the company. All unprofitable units have now been disposed of. No ordinary dividend is recommended though directors recommend a specified preference dividend and arrears as from September 30, this year. The AGM will be held on September 30.

**Carter Holt Holdings Ltd** will make a renounceable cash issue of one share for every four held, at an issue price of \$3.25.

Shareholders have also approved an increase of **Carter Holt's** authorised capital from \$25 million to \$50 million and amendments to the company articles giving authority for directors to make bonus issues without a shareholders meeting. A further approved amendment means dividends from all tax-free sources can be treated in the same manner as from the company's share premium distribution account.

**Computer Consultants Ltd:** Interim dividend for three months ended June 30, 1981 of 5 per cent will be paid on the recently increased capital of 2,669,945 50 cent ordinary shares, subject to High Court approval.

**Inland Revenue** has confirmed that money subscribed for shares in **Cue Energy Resources NL** is eligible for tax-deduction purposes.

**F and P Finance Ltd**, the wholly owned subsidiary of **Fisher and Paykel Industries Ltd** has increased

paid-up capital from \$1.5 million to \$2.5 million. Subject to shareholder approval **Fiji Insurance Company** will become a subsidiary of the **New Zealand South British Group Ltd** and will take over the **New Zealand Insurance Ltd** and **United Insurance Ltd** insurance portfolios. This will mean an expansion of NZSB's share of the Fiji insurance market.

**General Property Trust** has announced net revenue for six months to June 30 of \$8,931,701 (last year \$6,237,691). A distribution of 7.8 cents per unit will be made on units on issue at January 1, 1981.

**National Trading Company of New Zealand Ltd:** A preference dividend of 8 per cent is recommended to be paid August 18, 1981. Shareholders may elect to receive the dividend tax-free.

**Neil Holdings Ltd:** Unaudited net profit after tax for year ended March 31, 1981 \$573,035 (last year \$16,554).

No final dividend is recommended. **Pavroc Holdings Ltd** has been removed from the list following the virtual completion of the takeover by **Fulton Holdings Ltd**.

**UEB Industries Ltd** will not be selling its Inns of the Pacific Chain to the **Bateman Catering Organisation Ltd** after **Bateman** said it could not fulfil the terms of the sale contract. Subject to approval of the examiner of commercial practices **UEB** has entered an agreement with a group of New Zealand businessmen who will purchase all but one of the 11 properties comprising the chain. **UEB subsidiary Trans Holdings Ltd** has sold the 400,000 shares it held in the **Tourist Corporation of Fiji Holdings Ltd** to local New Zealand interests subject to necessary approvals. **Trans** has also agreed to sell 425,000 shares in **Tourist Corporation of Fiji** to business interests in Fiji.

**Visionhire Holdings:** The public offer of 2.56 million shares opened and closed immediately heavily oversubscribed.

private sector) increased by 17.8 per cent. For other tribunals (mainly the public sector) the increase was 21.1 per cent, which includes the 15.7 per cent increase for state servants from November 10 last year.

**BUILDING** permits were authorised for 1448 new dwellings in June 1981, an increase of 32.8 per cent over the same figure of 1090 for June of last year.

FOR the year ended June 1981 there was a net loss of 11,918 compared with 21,248 for the previous year. For the June 1981 quarter the net migration loss was 50,660, compared with 54,441 for the corresponding quarter last year. In the month of June 1981 the loss was 15,025, compared with 16,312 last June.

## Exchange rates

AS at July 30, NZ dollar vs:

	AS	US	UK	FR	DE	IT	JP	HK	IN	IR	MA	SA	SE	SG	TH	TR	US	YR
Britain	45																	
Canada	1.06																	
Australia	1.02																	
Fiji	1.01																	
Austria	1.11																	
Belgium	1.11																	
China	1.11																	
Denmark	1.11																	
France	1.11																	
Greece	1.11																	
Hong Kong	1.11																	
India	1.11																	
Ireland	1.11																	
Italy	1.11																	
Japan	1.11																	
Malaysia	1.11																	
Netherlands	1.11																	
New Caledonia	1.11																	
and Tahiti	1.11																	
Norway	1.11																	
Pakistan	1.11																	
Portugal	1.11																	
Singapore	1.11																	
South Africa	1.11																	
Spain	1.11																	
Sweden	1.11																	
Switzerland	1.11																	
West Germany	1.11																	
Western Samoa	1.11																	

## Economic indicators

THE nominal weekly wage rates index, which shows wage rates fixed by or in the jurisdiction of the Arbitration Court or any special tribunal, provisionally shows a rise of 19 per cent between the June quarters for 1980 and 1981. The rise may be subject to further increases once backdating is accounted for. Indices measure wage rates at the mid point of the quarter so the June 1981 quarterly index applies to May 15 and does not include the effect of the 5 per cent general wage order effective from June 11. Rates within the jurisdiction of the Arbitration Court (which generally relate to the



## This family is in chaos.

You wouldn't know it to look at them. They themselves probably don't fully realise it. But if things go on as they are, it won't be long before all of them are suffering, and the family disintegrates. The cause is alcohol abuse. One parent is drinking too much and this is affecting every member of the family. Problems are surfacing — tension, guilt, loneliness, debt, ill-health, unemployment, helplessness.

But there is hope. The modern approach to alcoholism shows that there is a way back, and better still, that there are ways to treat alcoholism before it reaches the chronic damaging stage.

Do you need help? We can assist. Our professional advice and treatment is confidential and it could save your family, home, job, even yourself.

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## Stock Exchange weekly review

FOR WEEK FRIDAY JULY 24 TO THURSDAY JULY 30

	Last sale	Week's high	Week's low	Turnover		Last sale	Week's high	Week's low	Turnover		Last sale	Week's high	Week's low	Turnover
Airwork, 50c	130	130	130	1400	Hawkins, 50c	110	110	105	29800	Stn Cross Mins, 20c	40	40	34	16700
8% pr	125	125	125	0	8.5% pr	28	28	28	0	S F M	285	285	284	38400
Alax G K N	405	405	405	1300	H B Farmers	308	308	300	8300	Spedding, 50c	73	73	72	1000
Alcan, 50c	185	185	185	4800	13% conv pr	185	185	185	100	12% conv pr	136	140	78	500
A H I	285	290	285	171000	Healing	272	275	272	6400	Steel & Tube, 50c	160	160	160	28600
Alliance, 50c	122	125	122	16400	12% conv pr	265	265	265	265	Suckling	180	180	180	200
12% conv pr	110	110	110	1400	H Pollard	480	480	480	3000	Taylor	180	180	180	0
Allianz	132	132	128	50300	10% conv pr	400	400	400	110100	Teltham	158	162	158	3700
Allied Farmers	325	330	325	5100	Henry Barry, 50c	180	185	180	780	12% conv pr	128	130	300	0
12% conv pr	380	380	360	100	Holoprop	500	500	500	2800	T J Edwards	310	310	300	22200
Alloy Steel	225	240	240	3800	Hume Industries	168	170	165	2600	Tolley	195	195	195	1700
A M Bailey, 50c	247	247	247	0	5-7.5% pr	220	227	220	1700	Tourist Corp of Fiji	40	40	40	700
Ampol Pet, 50c	142	140	140	7200	I C I (NZ)	102	102	102	300	Trans Ashburton, 50c	80	80	80	11400
A Beaven	130	130	125	52800	Ind Broadcasting	200	205	200	26500	TNL Group, 50c	112	112	105	53000
11.5% conv pr	140	142	140	4100	Ind Chem, 50c	200	200	200	100	10% conv pr	83	83	83	300
18 conv pr	150	150	150	1000	Ind Watkins-Dow, 50c	250	250	250	400	12% conv pr	100	100	100	3100
Andas Group	121	121	121	0	James Smith, 50c	88	88	88	0	Trans (NZ) Ltd	140	142	140	46000
5-6.5% pr	125	125	125	0	14% conv pr	60	60	60	0	13.5% conv pr	118	118	118	0
12% conv pr	366	366	360	23200	J Burns	100	100	93	13400	18% conv pr	115	115	113	89000
ANZ Banking Group	370	370	370	0	14% conv pr	215	215	215	500	U E B, 50c	118	118	118	0
A Wright	80	80	80	0	John Edmund	240	240	240	1100	5-7.5% pr	108	108	108	6000
'A' 5-7.5% pr	60	60	60	0	J Webster, 50c	73	74	73	1400	12% conv pr	70	70	70	0
'B' 5-6% pr	320	320	320	100	12% conv pr	140	148	140	800	15% conv pr	130	130	130	350
A Barnett	45	45	45	2000	J Nathan	270	270	270	800	United Publishing, 50c	305	305	305	1300
A Ellis	385	385	385	1500	12.5% conv pr	210	210	210	200	Vacations, 50c	88	90	87	1800
Ashby Burgh	320	320	320	700	L W Ruck, 25c	83	83	82	22700	Waitaki-NZ	280	282	285	74200
A B Cables	48	47	47	32700	12% conv pr	80	80	80	800	Waitaki 50c conv pr	206	206	205	5300
Atlas, 50c	280	285	280	94500	L D Nathan	237	238	235	11700	Wattair, 50c	177	180	170	107900
10% conv pr	223	223	223	75200	9.5% conv clubs	227	232	232	200	12.5% conv pr	108	108	108	2100
Aurora, 50c	260	260	260	0	15.5% conv pr 90	232	232	232	0	Waitair	250	250	250	0
10% conv nts	185	185	165	200	Levyland, 50c	190	190	190	0	Westfield	440	440	440	1200
A C I	270	280	270	2900	Lion, 50c	150	150	148	43700	5-7.5% pr	155	155	155	9200
Autoerast Sanyo	83	84	83	400	10% conv pr	155	155	155	9300	W Jutty	140	140	140	0
Bellie, 50c	122	122	120	53800	12% conv pr	120	120	120	120	Wilson & Horton	425	425	425	1000
Bellins, 50c	110	110	110	1300	L & M Oil, 50c	37	38	37	9400	Wilson Distillers	155	155	155	0
11% conv pr	525	525	525	0	Lustered	255	255	255	0	Wilson Neil	115	116	108	3400
Bank NSW	445	445	445	0	Mimuzal Corp, 50c	215	215	215	400	12% conv pr	165	165	165	0
Bing Harris, 50c	85	86	85	8700	15% conv pr	303	305	303	2500	Winmore, 50c	73	78	71	238700
B N Z Finance	410	410	405	2150	Man, 50c	305	305	305	100	12% conv pr	54	55	54	16400
Bridgeway Mining	122	122	122	18500	1% conv pr	110	110	110	400	W W W (NZ)	330	330	330	1500
Brierley, 50c	480	480	460	50850	Manitaki	200	210	200	2600	5-7.5% pr	112	112	112	0
16.75% spec pr	255	255	255	0	McAlpine, 50c	112	112	112	0	W Sutherland	105	105	105	900
Bus, 50c	78	78	78	23300	McKee, 50c	235	235	235	0	Yates, 50c	405	405	405	12250
B H P, 200c	2300	2360	2300	0	Melland	210	210	205	2500	12% conv pr	170	170	165	200
Brother, 50c	83	83	83	1000	10% conv pr	100	106	100	100					
Burnling, 50c	100	100	100	160	M O'Brien, 50c	65	65	65	1800					
C P D	390	390	380	5700	12% conv pr	59	59	59	2000					
10% conv pr	365	365	365	100	Montana, 50c	152	155	155	7800					
C F M	220	220	220	0	M P I M	210	210	210	8800					
12% conv pr	335	350	335	7600	Motor Holdings, 50c	185	200	185	8800					
Cant Flour	112	112	110	1400	Motor Trad, 50c	63	63	63	300					
12% conv pr	335	335	335	7600	MSI Corp, 50c	82	82	82	33400					
Capital Radio, 25c	115	115	115	0	MT Cook	180	195	180	27700					
Capital Life, 50c	300	300	300	0	conv pr	165	165	165	3600					
Carbonic Ice	400	400	380	12150	M I M Hlds, 50c	305	305	295	9700					
Carter Holt	320	320	300	8000	Nat Insurance, 50c	150	150	150	0					
CBA Finance, 50c	298	300	285	82400	Navley	30	30	30	0					
CCL	258	280	255	20400	5% pr	89	90	85	45500					
Ceramica	170	170	170	500	Neil Holdings, 50c	89	90	85	45500					
16% red spec pr	400	400	400	0	N Z Cement	122	125	122	17500					
Chenery	300	315	300	3300	N F C, 50c	160	168	160	20700					
Ch'ch Gas	300	300	300	6800	11% conv pr	145	148	145	5100					
Ch'ch Press	330	330	330	0	N Z Farm Fert	220	220	220	7800					
City Realties, 10c	47	48	47	2500	12% conv pr	185	185	185	1400					
Clyde Group	110	110	105	8500	14% conv pr	170	170	170	2700					
12% conv pr	110	110	110	0	N Z F P	390	389	383	124800					
Collingwood, 50c	50	55	55	1000	N Z I G	445	445	445	0					
13% conv pr	50	50	50	1200	N Z Light Leathers	47	47	45	1100					
Col Motor	320	320	320	18100	N Z Motor Bodies	85	85	85	108800					
Colyer Watson	125	125	125	300	N Z M C	173	185	173	108800					
Comalco, 50c	240	240	240	300	N Z News	238	238	238	151100					
Command	185	185	185	3400	N Z Petrol, 50c	900	900	860	860					
Con Metal, 50c	180	180	180	1700	N Z Refining	165	168	165	850					
conv pr	200	200	200	0	NZSB	88	88	88	449200					
Con Minerals, 4c	18	18	18	58800	N Z Steel	220	230	220	12100					
Cook's Wine	122	122	120	8500	N Z United	625	625	625	100					
Cory-Wright	250	250	250	0	Nuhaka	210	210	210	100					
12% conv pr	225	225	225	0	Odina, 50c	88	87	85	47800					
12.5% conv pr	218	218	218	0	'A' 6% pr	72	72	72	200					
Crown Consolidated	215	215	215	800	'B' 13% conv pr	72	72	72	5300					
C S R	945	945	945	0	16% conv notes	115	115	115	11200					
Dalgity (NZ)	283	287	283	8200	Optical	60	60	58	4100					
Dallhoff & King, 50c	57	57	57	18700	Osago Press & Prod	175	175	175	0					
Deanes	170	175	170	1000	Produce Holdings	240	240	232	4900					
D I C	218	220	218	6100	P D I Hds, 50c	232	232	232	4900					
12% conv pr	365	365	365	1700	Perm Invest	233	234	225	8900					
Dingwall & Paulger	108	108	108	0	Phillips & Impsey, 50c	215	217	213	130000					
D Mc Wallace, 50c	75	75	75	4800	Printing & Packaging	185	185	185	30400					
12% conv nts	138	138	133	28900	Progressive	480	480	478	10800					
12% conv nts	106	106	106	0	12% conv pr	820	820	815	1700					
Dom Brew, 50c	120	120	120	0	Prop Securities, 50c	920	920	915	11600					
5% pr	88	88	88	88	Prud Building	131	131	131	400					
11% conv pr	305	310	305	3400	Quill Humphries, 50c	115	120	115	1800					
D R G, 50c	110	114	110	1000	12% conv pr	110	110	110	0					
Dunlop (NZ)	400	400	400	200	Radio Avon, 25c	103	103	103	0					
4.5% pr	135	135	135	900	Radio Otage	170	170	170	1200					
Ebbett	125	125	125	200	Regina	84	85	83	32400					
E Lichtenstein, 50c	380	385	380	2200	R F W Hallaby	365	365	365	200					
Empire Mines, 10c	178	178	178	0	Reid Farmers	87	87	86	800					
Envyour	215	215	215	300	Rexco (NZ), 50c	295	295	295	500					
E Adams	92	92	92	10200	Revertz	310	310	305	4800					
Europa pr nt	130	130	130	0	15% conv pr	115	115	115	11200					
F T C, 50c	110	110	110	2100	12% conv pr	110	110	110	0					
17% conv pr	85	85	85	152000	Radio Alago	170	170	170	1200					
F Walmak, 50c	182	182	182	0	Rhaem, 50c	150	150	150	23100					
5% pr	170</													



## Wine industry

## Winery's claim: concerted rumour campaign

From Page 1

prices being offered for grapes by Penfolds, and draw the Government's attention to the grave consequences for the industry which will result from this irresponsible action," and asks if the Government can take any action.

That motion was carried unanimously by the 14 wine-makers present. Penfolds did not attend the meeting.

The institute and some members argue there is an over-supply of grapes (an argument which might encourage growers to curtail plantings).

Yukich insists there is a shortage of the sort of grapes needed to make quality export wines.

This is not the first time he has argued for boosting grape supplies. As managing-director of Montana Wines in 1971, he pushed against the industry

tide — to parliamentary level — for increased plantings.

The current grape shortage which has led to the proliferation of watered and flavoured wines might have been averted if his arguments had been heeded.

If Penfolds succeeds with its grape supply plans, it will control about 80 per cent of the country's top varietal grapes by the mid to late-1980s and be in a strong position to export about 20 to 25 per cent of its total production.

By that stage, Penfold's exports should reach about \$13 million a year (based on today's wine prices).

But success appears to have created envy. And after Penfolds published its \$12 million annual turnover figure recently, a new flood of rumours began circulating that the company watered wines.

According to one story, Penfolds had only about 2500 tonnes of grapes. At best, it could only squeeze 800 litres of grape juice from a tonne of grapes, or 2 million litres from the 2500 tonnes.

Two million litres of juice makes 222,222 cases of premium wine if 100 per cent grape juice is used.

At \$17 a case, Penfolds' total wine sales should be about \$3.8 million. So Penfolds' \$12 million must have been made up either in smuggled grape concentrate or water, it was said.

Penfolds had already heard such stories when *NBR* asked if it could answer the accusation.

Yukich provided us with data to dispel the rumour, as he has done for the Health Department.

Some of the confidential information was supplied to *NBR* only to demonstrate that Penfolds' denials could be substantiated, and not for publication.

It showed that only about 60 per cent of Penfolds' \$12 million turnover comes from wine sales.

The company has wholesale outlets and 10 retail outlets, which would account for sales of at least \$4.5 million.

Then there are sales of vines and blueberries.

The information also showed that the lowest price on Penfolds' price list is \$25, not \$17 as the rumour goes. Penfolds top wines sell for \$54 a case.

And Penfolds' available grapes amount to more than \$2 million litres of juice. Penfolds anxiously guards the source of its grapes and grape juice data.

But it showed *NBR* documented evidence to prove the 2 million litre rumoured figure too low.

But even if Penfolds had no more than 2 million litres of grape juice and made only 100 per cent grape juice wines, at an average price of \$35 a case the sale of 222,222 cases would yield \$7.7 million — more than 60 per cent of Penfolds' total turnover.

Some Penfolds wines contain the legal minimum of 80 per cent grape juice. And Penfolds' sherry need contain only 60 per cent grape juice. These wines contribute to the total wine sales.

Yukich said Penfolds would never make alcoholic beverages or other watered products because this would damage the image of the industry at the expense of sales here and abroad.

By exporting 25 per cent of its production, Penfolds would be paying its debt to society for the protection the wine industry had been given, Yukich argued.

He also said that "over the next five years," the price increase for Penfolds' wines will be only one half the increase in the Consumer Price Index (wine prices are now running ahead of inflation).

Yukich started Montana with a 250 pound investment and built it into one of our biggest wineries.

The marketing successes with Penfolds' wines have

boosted that company rapidly into No 2 or No 3 slot.

Penfolds upset competition when it pushed for better quality wine, less water in wine, and less protection from competing imports, at a time when the Wine Institute was lobbying the Government for more protection and lower Health Department standards for wine.

Rumours began circulating subsequently that Penfolds was using smuggled grape concentrate to make wine, was watering its wine, and was unable to pay its debts.

At that time, Yukich was philosophical: "When they're stopped talking about us, they've already buried us." Because of the threat to the company's share issue, he decided to fight back.

The problems within the industry have spurred a call for unity from Wine Institute executive officer Terry Dunlop. He recently wrote to members about an *NBR* article of Health Department action against wine companies and industry rumours that Penfolds had received a non-compliance order.

The letter urged members to stand together. "Can't we stop all this stupid back-biting and fratricidal strife?" he asked.

"There are white ants within the industry who seem to delight in putting any competitor whom they suspect is not playing the game."

## Agriculture

## 'Musical shareholdings' follows delicensing

THE latest flurry of major changes in freezing company shareholding should be regarded as yet another example of how insecure the industry has become in the wake of delicensing.

Further "jockeying" for "strategic" strength can be expected as companies, producers and others determine how delicensing will affect the present situation.

And if the recent changes are any indication, further changes are expected to be just as surprising when companies which were once allies, will find themselves in distinctly separate camps.

The buying of 7 per cent of Southland Frozen Meat's shareholding by Wrightson NMA, as announced on July 6, had been planned for some time. The Stock Exchange was recording an extremely high 280 to 290 cents for SFM shares for several weeks before the announcement.

SFM was obviously looking for a strong supporting ally within its shareholding, and Wrightson NMA, with traditional strong Southland links — an important consideration in the deepest south — fitted the bill.

The buying, of course, did

not please the Primary Producers Co-operation Society, which owned 12 per cent of SFM's shares. Chief executive Ian Jenkinson described the 7 per cent taken up by Wrightson as a "springboard for the lion (parent company Fletcher Challenge) to buy into the freezing industry."

SFM and Wrightson had jointly announced that the buying was "friendly." Said Jenkinson: "If that's what friends do, God preserve the company from its enemies."

Jenkinson, who said he was unaware of the deal and "staggered" at the news, was perhaps unwittingly giving away what many in the industry knew.

PPCS bought its 12 per cent of SFM shares in a mystery and anonymous campaign which began in 1977. The society, which has 10,000 supplier shareholders throughout the country, and 3600 in the area served by the four freezing works in Southland, did not reveal itself as the buyer until May last year.

Publicly, as speculation grew about who the mystery buyer was, SFM chairman Sir Alan Gilkinson said he believed the buyer had mischievous in mind.

However, when PPCS

revealed itself, Jenkinson said the shareholding was obtained for "strategic reasons" with a view to ensuring that SFM maintained its position as a major independent New Zealand-owned meat processor and exporter.

"The directors of PPCS believe there is a considerable mutuality of interest with SFM, and are confident that the SFM directors will welcome PPCS as a friendly shareholder, which will ensure the long-term independence of SFM," Jenkinson said.

Gilkinson also publicly welcomed PPCS involvement. However, at board level, the two companies did not get on, a fact borne out by the failure of PPCS to gain a seat on the SFM board, something it had directly sought.

SFM's two works were more than happy to process stock on

the open door policy, but it was obvious that closer liaison at director or management level was not welcomed by the Southland company.

There was no surprise, therefore, that SFM tried to bring in a strong known supporter of company policy such as Wrightson NMA, whose Southland manager, Jack McKenzie, was already an SFM director in his own right.

But what did cause some surprise on July 8 was the quick agreement reached between PPCS and Wrightson NMA for the latter to buy the former's 12 per cent SFM shareholding. The deal was completed in one day.

Commentators speculated at the time that there had to be a *quid pro quo*. The most obvious was Canterbury Frozen Meat, which had been subjected to a vigorous sharebuy-

ing campaign in May by PPCS. The Dunedin society stopped buying when its CFM shareholding reached 38 per cent, but during the battle, Fletcher Challenge bought a 10 per cent shareholding in CFM for what was described at the time as a "strategic investment".

Speculation became reality, and one week later, the PPCS shareholding in CFM became 48 per cent, giving it effective control.

Whether the flurry of changes was sheer coincidence, or whether it was, in fact, quite carefully planned, remains speculation.

But PPCS managed to profit by at least \$2.45 million when it sold off its 12 per cent SFM shareholding.

On the other hand, Wrightson, which bought its initial SFM shares at the amaz-

ingly high price of 345 cents, appears to have spent about \$11 million.

If that money were taken out of reserves, the return will be about 4 or 5 per cent. If the transactions were carried out on borrowed money, it cannot be described as an investment at all.

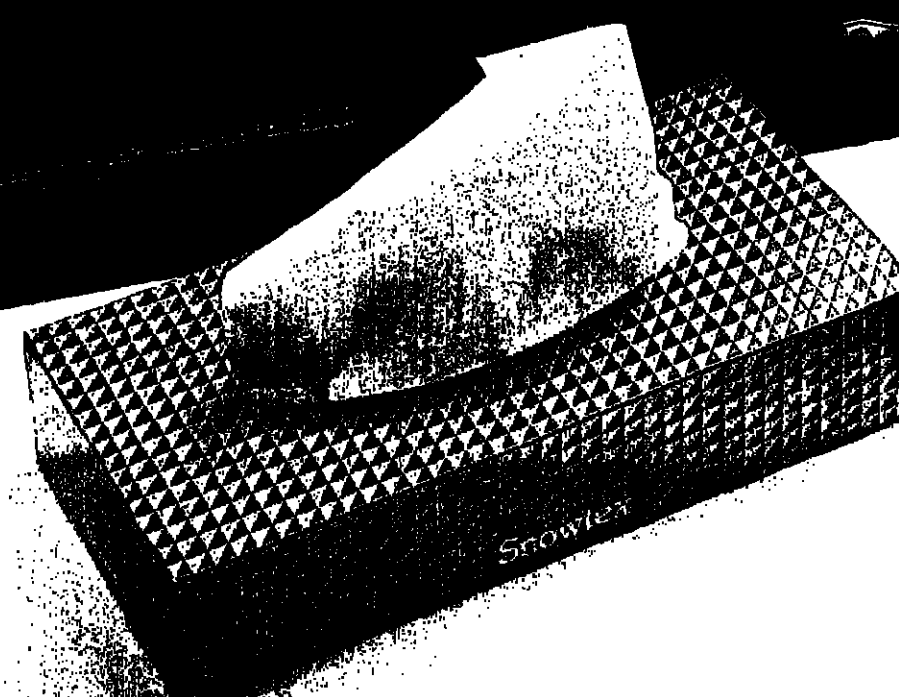
Wrightson has said it does not intend to buy any more shares, but SFM has one of the most potentially lucrative pieces on real estate in Southland, with a large holding in the Mataura Valley.

Beneath that land lies an estimated nine million tonnes of lignite, which a subsidiary is already mining commercially.

The potential of that coal will not have gone unnoticed in Fletcher Challenge which has fingers in numerous energy pies. Will it remain content with 20 per cent of SFM?

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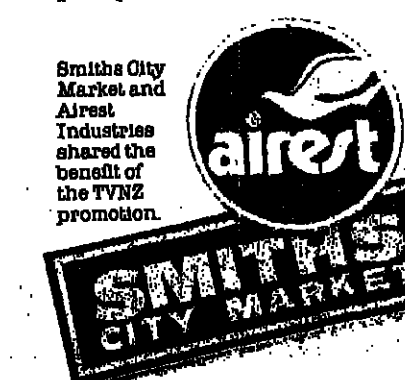


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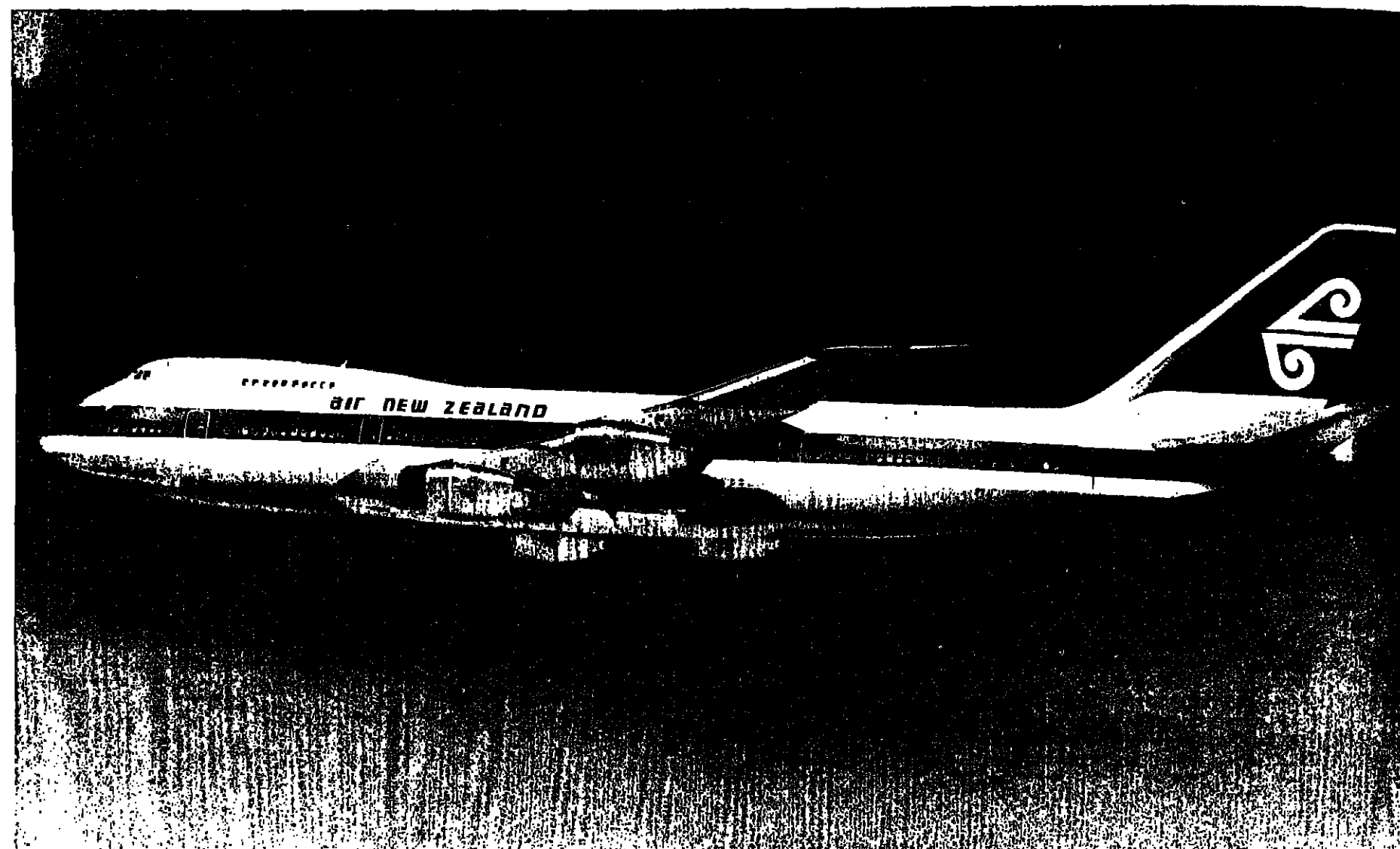
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### Business

## Analysing annual accounts: Goodman Group Ltd

by Klaus Sorensen

GOODMAN Group Ltd caused some consternation recently when it reported a smart looking 58 per cent profit increase — without detailing the effect on the profit of its investment in Wattie Industries Ltd.

By Goodman's March 31 balance date it had held 22.56 per cent of Wattie's capital for five months, so the analysts were quickly on the scene when the profit was announced, trying to calculate Goodman's true earnings.

But there were too many intangibles to arrive at a reliable figure. Little was known about the likely treatment of holding costs, dividends and how many months of Wattie profits Goodman would be able to include in its figures because of the different balance dates.

Goodman went into the market for Wattie shares in November 1980, but because the two companies have different balance dates most assumed Goodman would be able to use only two and a half months of Wattie first half results in its March 31 year figures. During that period there was also a final dividend payment, but the dividend related to the previous financial year — before Goodman became a holder.

But Goodman directors made it known they would be explaining everything in their annual report — and so they do. But the report does require some effort from shareholders to understand the company's treatment of its new investment.

Managing director, Peter Shirlcliffe, tells shareholders about the net result of the investment early in the report — the equity contribution of associates increased group profits by \$1.2 million after offset-

ting related holding costs. But shareholders may find the figures in the profit and loss account a little disconcerting at first when they take this contribution into account.

The trouble is that the profit and loss suggests the group profit after tax, but before associate contributions and extraordinary, was "flat".

Not a good sign when the reported profit including associates was up 58.8 per cent.

But there is a catch.

While the after-tax profit before associate contributions and extraordinary was up only slightly from \$3,806,000 to \$3,831,000, this figure is after financing costs for the Wattie purchase. Rather than adding the "net" \$1.2 million contribution from associates referred to by Shirlcliffe, the retained profits in associate companies are in the revenue statement as a "gross" \$2,293,000 (\$49,000 in 1980).

So for that reason the profit before associates has been depressed by the financing charges, but bolstered later on by the addition of gross associates contributions — although the end result is the same.

Group sales for the year excluding associates rose 18.3 per cent from \$98.9 million to \$117.1 million, but "cost of sales" increased at a faster 19.7 per cent, from \$93.1 million to \$111.5 million.

The notes provide all the necessary details of operating costs, and show that wages, salaries and financing charges were largely responsible for the rise in costs.

The cost of materials, services and expenses were kept to a reasonable 14.8 per cent increase from \$69.3 million to \$79.6 million. Wages and salaries were up 27.3 per cent from \$17.9 million to \$22.7 million, but total interest costs

were up 80.4 per cent from \$2,658,000 to \$4,795,000.

This comprises a 64 per cent increase in interest on term liabilities (the apparent source of the Wattie shareholding finance) from \$2,223,000 to \$3,639,000, and a sharper 165.7 per cent rise in current liabilities interest from \$435,000 to \$1,156,000. The resulting earnings from operations were down 4.3 per cent from \$5,798,000 to \$5,540,000.

The next item is the associate company dividends contribution which rose from \$148,000 to \$262,000. This latter figure provides another puzzle for shareholders who are aware that Wattie paid a 5.5 cent final dividend in December, to which Goodman was entitled as a shareholder. This payment would have netted Goodman something in the order of \$800,000 — but it is obviously not included in associate company dividends.

The answer lies partly buried in note three to the accounts. "The ordinary dividend paid by Wattie Industries Ltd in December 1980 has been deducted from the cost of investment in associated companies."

The profit before tax is \$5,806,000 (after a \$100,000 "other companies" dividend) and after tax of \$1,975,000 (\$2,141,000), the profit is \$3,831,000. Associate retained profits of \$2,293,000, a grand total profit of \$6,124,000 — a 58.8 per cent increase over the 1980 figure of \$3,855,000.

In relation to the Wattie equity contribution, the notes say "the net effect, or incorporating the equity in the new associated companies for the first time, has been an increase in group profits of \$1,217,000 after offsetting related holding costs." And the notes add that "Wattie Industries balances on July 31 and its unaudited interim profits for 5 months ended March 31 1981 have been included as equity in retained earnings."

And just in case any wide-awake shareholder is concerned about double counting — where two companies who have shares in each other, can conceivably equity account a portion of their own profits included in the other's earnings — the notes explain "the retained earnings in Wattie Industries Ltd excludes that company's equity share in Goodman Group Ltd profits for the period ending March 31 1981."

The balance sheet is a compact affair which leaves most of the details to the notes, and does away with the old "liabilities on the left hand side, assets on the right" theory. It simply shows shareholders equity of \$43.1 million, minority interests, noncurrent liabilities, and current liabilities of \$103.8 million and fixed assets investments and current assets of the same amount.

Noncurrent liabilities are up from \$13.3 million to \$30.9 million and the notes show this is primarily due to a rise in offshore borrowing from \$486,000 to \$15.9 million in US dollar loans. Local borrowings are up by a smaller amount, from \$12.2 million to \$14.3 million.

Current liabilities are up from \$24.4 million to \$28.5 million due mainly to an increase in accounts payable and accruals from \$10.5 million to \$15.8 million.

The balance sheet shows

employment of funds rose from \$66.8 million to \$103.8 million in 1981 following a rise in fixed assets from \$34 million to \$36 million, a jump in investments from \$2.8 million to \$30.4 million (due to the Wattie purchase) and a rise in current assets from \$29.9 million to \$37.2 million.

The notes show the latter figure has increased following a rise in stocks from \$14.8 million to \$17.5 million and an increase in accounts receivable from \$15 million to \$19.3 million.

The rest of the report provides above average disclosure — even to the extent of describing the directors' interests in the arts, racetracks and sport — and underlines Goodman Group's rapid growth in the last 10 years.

Chairman Pat Goodman says the company's policy since 1971 has been one of "divestment, diversification and decentralised management," and the company is "quite unrecognisable from the organisation of 10 years ago."

Tax paid profits have risen from \$252,000 in 1971 to \$6.1 million; sales are up from \$10 million to \$117 million and the company now employs 2300 people, compared with 300 10 years ago.

Shirlcliffe describes how the company has done from being production-orientated to having a greater marketing emphasis and at the same time stresses the administrative philosophy of complete commercial autonomy for subsidiaries.

The report includes a dividend and price growth perfor-

mance chart which shows the company's dividend growth and share price have both comfortably outpaced the Consumer's Price Index and the market average.

Using a base of 100 for 1976 the Goodman dividend growth index has increased to 296 compared with 185 for the market average and 195 for the estimated CPI.

In the 1981 financial year the Goodman share-price rose by 88 per cent compared with 45 per cent for the market average, and over a six year period the Goodman price growth has been 37 per cent compared to 22.3 per cent for the whole market.

Shirlcliffe says "to ensure continuity of shareholders support... we are always trying to maximise shareholder benefits," and candidly admits that the company's desire for shareholders income growth is assisted by "large shareholdings by directors and many family groups who have management responsibilities keep the board very much alert to this area."

The report omits details of investment and export incentives and does not provide trading breakdowns for the main subsidiaries, but the information on the nature of the various activities is very comprehensive.

The only percentage trading figures are those for NZ Flourmills Ltd, which employs 171 people. While this company, tell just short of its hundredth birthday, still managed a 29 per cent profit increase "in a very difficult trading environment".

NZ Bakeries Ltd employs 798 people, and in the financial year "all subsidiaries of NZ Bakeries have performed to a satisfactory level and have reached in most cases the criteria the parent company requires of them to show an acceptable return on funds invested." This subsidiary does disclose it made a grand total of 12 million pies in the past year.

The second largest employer in the group, textile manufacturer Bonds NZ Ltd (740 staff) maintained profitability and increased market share, while the hosiery division recorded a "dramatic turnaround" and has now filled the production capacity of its plant.

Biscuit and confectionary manufacturer Ambrosia Ltd with its 442 staff turned a profit "after a modest one" in the past financial year even though the opening months of the 1980/81 year "proved to be unprofitable due to a severe downturn in trading together with internal problems."

Probably the most significant (and cryptic) comment in the report comes from chairman Pat Goodman who notes that while neither Wattie nor Goodman has a controlling interest in the other company "we are exploring several further areas of parallel development with them." To which shareholders might ask "what" cooking?

**ELECTION WATCH '81**  
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## Clancy gave up the real wilderness, for Bill Birch

by Dave Witherow

I MET Clancy the other day. We used to know each other well, but lately our paths have parted.

Clancy is a growth-promoter, and a one-time ace flyfisherman. He believes in exports: "We'll trade our way out of this one, if we have to strip-mine the length of Queen Street," he says.

He "Thinks Big". Clancy, and is a great admirer of the Government. In his view, Bill Birch will be on the postage stamps before the century is over.

"The only true heroes we've got," he says. "They'll turn this country inside out."

Clancy and I had two interests in common, and a chilled jugful of one of them soon stood between us on a table.

I was keen to hear his views, for the man amuses me. He bubbles with ideas.

Many a cock-eyed scheme of his I've ridiculed — only to find it later as the centrepiece of some new official policy.

He was as provocative as ever. His private fortunes, it seemed, were soaring: Clancy was into mining.

He chided me on my naive environmental fears about hydro dams and rivers.

"Chicken feed," he assured me. "There are more geologists than tramps in the bush right

now, and that's what you should think about. National parks, dug up and processed, will be a major export in the nineties."

A fine log fire was burning in the corner of the pub. It discouraged our re-entering the damp Dunedin day.

We relaxed, put up our feet, and recalled past exploits on rivers from the Mackenzie to Fiordland. Trout-fishing had been a shared obsession, years before, and together we had camped and fished on all the famous waters.

His pleasure in the game was then the equal of my own. Clancy loved rivers; their alternate peace and clamour, and

loved the forest and high-tundra we travelled in to find them. So I had never understood his conversion, later on, to a lifestyle of extravagant consumption. Now, in the cosy pub, drinking good ale, he told me:

"I gave all that away; don't fish, don't shoot. I can't remember the last time I walked in a forest."

"Things like that are ending. You won't accept it, but it's a simple, obvious fact — the world is changing."

"Oh, I know some wilderness might last our lifetime in New Zealand, but it's going, bit by bit. I realised this 30 years ago, and I decid-

ed, then, to leave it. What alternative is there — to hang around and mourn each river lost, and every tract of forest logged?"

"There is a huge transition going on — not just New Zealand — the whole damned world. Nothing will stop the spread of people, people, people."

"Wild animals are finished; wilderness in general. Can't you see it, man? The human race is becoming something different."

"People in the future won't know about — won't miss — the things we knew back then and felt were so important."

"They've changed already in



Bill Birch... hero status

the cities — the big cities where the majority of Western people live. Nobody there sees anything at all that we'd call natural. Their idea of the so-called endless variety of life is film on TV. Little coloured pictures to amuse them or instruct them. No good saying it's not real — what other reality are they ever going to know?

"I don't profess to understand the implications of all this. But it is inevitable, like a evolutionary leap — and we're the relics of an older kind of life. You are anyway."

"It's a hard thing to accept. Our parents knew one world and our kids will know another. We're caught in the middle. I realised this, as I said, a long time ago; and I decided then and there not to get torn apart in the transition."

"Read some history! There's nothing new about what is happening to us. One or two of the politicians know it — Birch, for example. Oh, not consciously, I shouldn't think, but with an instinctive feel for where we are heading. You think it's sad — the things we're losing. But no one can change it now."

He sat hunched forward in the chair, and fireglow, playing on his face, twisted his mobile features. I listened to his clear, impassioned voice, and heard its echo in a boarded chamber of my mind.

"Why try to spend time up?" I asked him.

"For the mirror image of your reasons. I need to know that something real is being born — and I'm not as certain of that now as when I started."

"Remember McLuhan — the global village? He was right, but not the way he meant it. New Zealand can't absorb from what humanity is about to do. We're part of it."

Westward, beyond the green Dunedin hills, in the mountains of Otago, the geologists pick and pry. South, in the Catlins, forest falls. And in the ochre valley the blue torrential Clutha, seems old, is fading winter.

I asked him to go fishing with me; to the Greenstone, next season, but Clancy shook his head.

Dave Witherow is on the staff of the University of Otago zoology department.

**MONEY MARKET OPERATIONS**

**CBA MERCHANT FINANCE LTD**

by Arnold Kransdorff  
of the Financial Times

**BUSINESS** managers with a mandate to cut costs should take a close look at Warren McPherson's efforts. He claims to have made "phenomenal" savings from hiring only non-smokers and banning the weed from his premises in Seattle, Washington state.

His company — Radar Electric, a wholesale electronic components distributor, employing 90 workers — stopped hiring smokers in 1977 and completely banned smoking on business premises at the beginning of 1978.

As a result, he says, absenteeism has been virtually eliminated. This means he can provide the same service with five fewer employees — saving \$125,000 a year. Less sickness among employees has also led to lower health insurance premiums.

In addition, McPherson employs one less person to do maintenance and cleaning (for another saving of \$25,000 a year) and he estimates he is going to "save hundreds in the long run" because he will not have to replace burned carpets and furniture.

On top of all this he reckons worker morale is much higher and it is now easier to hire the right people. And there has been no adverse reaction from his smoking customers.

McPherson recalls that at the time of the ban, more than half the workforce smoked, including all his key executives. Now, there are only two "closet" smokers left and only one employee resigned from the company because of the ban.

While McPherson's policies are the exception rather than the rule — in the United States as well as in Europe — his attitudes are nevertheless becoming increasingly prevalent. A survey by Alfred Marks Bureau, a British staff consultancy, found that more employers are specifying non-

## Warning: smoking damages financial health

smokers in job descriptions. According to Dr. William Weiss, a professor in the department of accounting at the University of Seattle's graduate school of business, the cost benefits of only employing non-smokers and introducing a smoking ban — which is perfectly legal — are both real and substantial.

Writing in the May issue of *Personnel Management*, published by the Institute of Personnel Management, he says that "smoking is not only hazardous to your health, it is hazardous to your business."

A personnel policy that excludes smokers from employment could, he calculates, save a company up to 10 per cent in salaries and wages, 30 per cent in health and fire insurance premiums, 50 per cent in furniture depreciation, 50 per cent in cleaning expenses and 75 per cent in disability benefits.

Drawing on the American example, where smoking is prevalent among 38 per cent of the male adult population and 30 per cent of the female adult population, Weiss says that reduced absenteeism is the easiest factor to quantify.

In aggregate, female smokers are absent from work around 45 per cent more often than their non-smoking counterparts; for male employees the differential rate is about 57 per cent, he says. But incremental absenteeism is much higher among young smokers and among heavy smokers, he adds.

Disability rates are also much higher among smokers, as are mortality rates. The overall mortality rate from a cross section of adult age groups is 70 per cent greater for smokers than for non-smokers.

Weiss also quotes an estimate — from an American consulting group — that in an eight-hour working day, about 6 per cent of the working year is lost to the smoking ritual

(lighting, puffing, staring, pretending to be in deep thought, etc) for pipe smokers the loss is around 11 per cent of the working year.

Weiss — himself a non-smoker — states that in the United States enlightened health and life insurance companies are recognising the need

to adjust premiums for companies that have either banned smoking from their premises or stopped hiring smokers.

At least one is offering policies at a 30 per cent discount for non-smokers. He mentions other miscellaneous savings from smoking bans — lower maintenance costs and reduced property damage.

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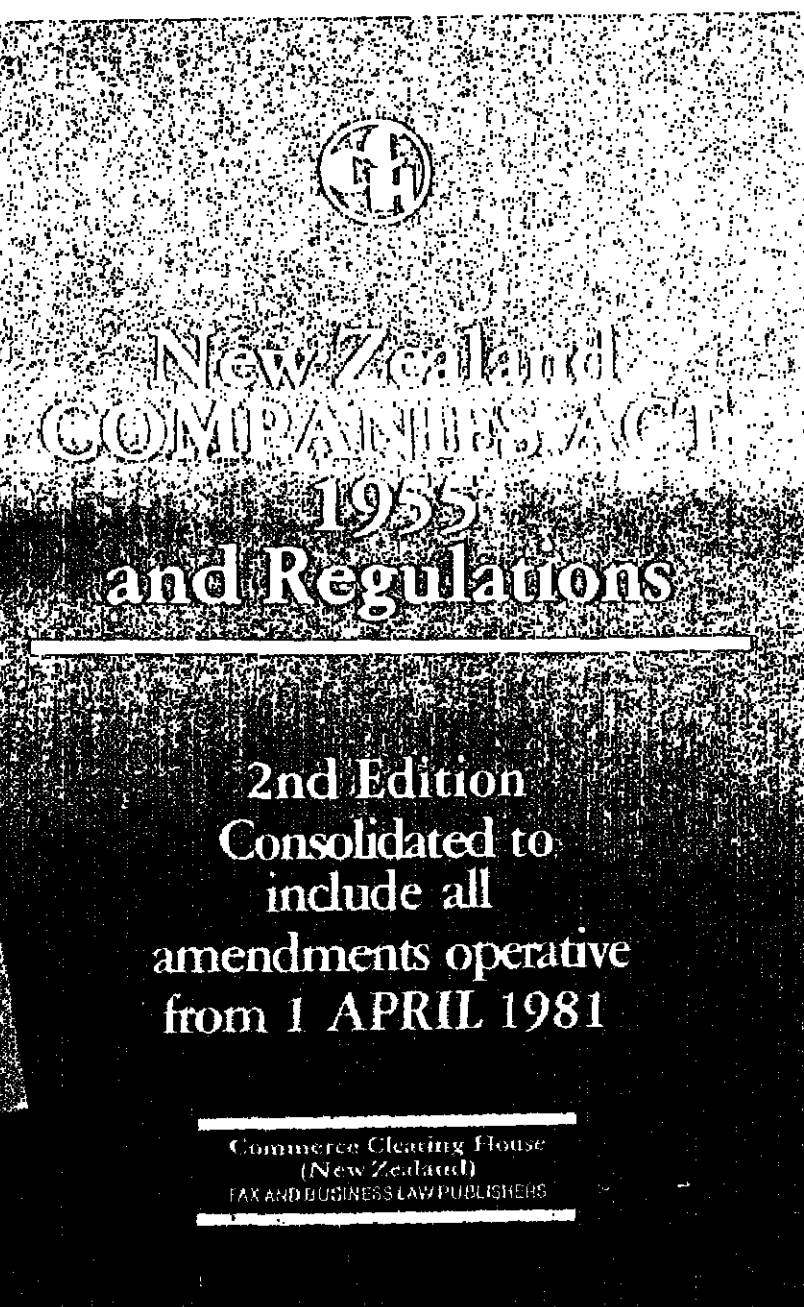
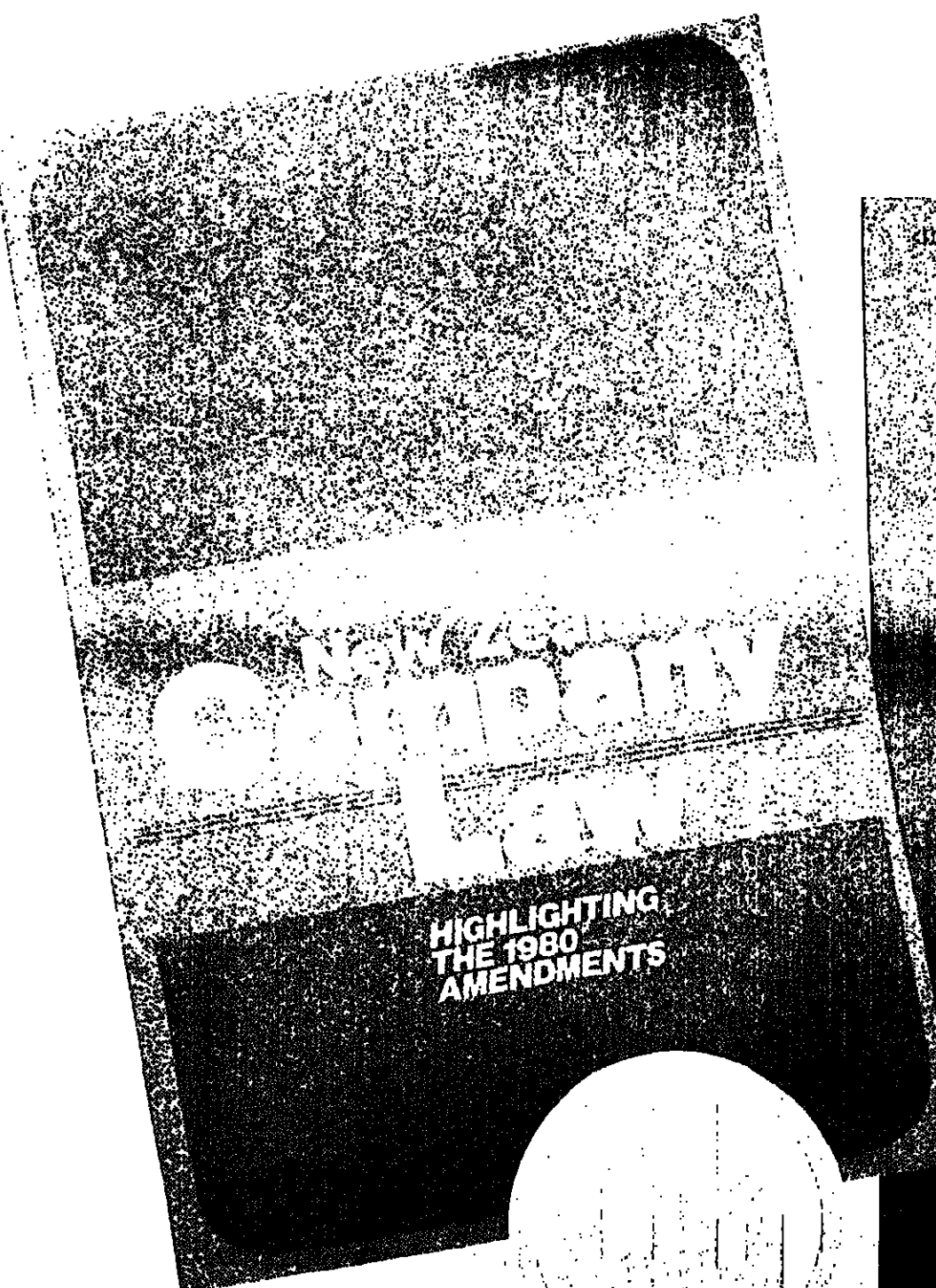
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LINC is a new development. Its full name, by the way, is "Logic and Information Network Compiler." It's the one that tames the computer wolf. Finally.

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## Burroughs

## Computerised cars: no easy revolution for microchip

GENERAL Motors has taken to boasting it is the largest manufacturer of computers in the world. It does, of course, depend on how you measure such things. But since last year every petrol-engined car it makes in the United States is equipped with a sophisticated computer-controlled engine management system.

Few car manufacturers have embraced microelectronics quite so wholeheartedly as General Motors — although Chrysler was the first down this path with an electronic ignition system.

Indeed, microelectronics has been viewed with much apprehension by parts of the industry — which is traditionally conservative and steeped in 80 years of mechanical engineering.

Until recently the technical problems of making microchips tough enough to survive the quite extraordinary hostile environment of the car were formidable.

Excluding car radios and hi-fi equipment the major application to date has been in engine management systems — and will continue to be for some time. Other applications include instrumentation, safety devices, trip computers, and navigation systems.

Prophecies that by 1985 10 per cent of the cost of a car would be in microelectronics have also been revised. Jerry Rivard, chief engineer for Ford in the United States, does not think it will exceed 5 per cent. The fall in microelectronic prices will compensate for their increased use. At present electronics account for 2 1/2 per cent of the cost of a Ford car.

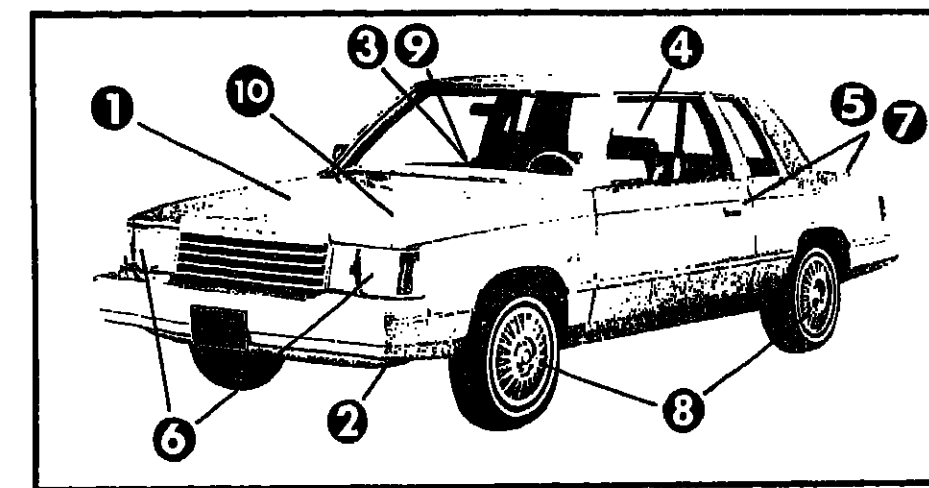
The driving force behind the introduction of microelectronics to cars has been the strict legislation in the United States on exhaust emission and fuel consumption.

In Japan, too, even stricter rules on exhaust emission are sending carmakers rushing into electronics. And a fondness for gadgets and providing extras is finding many more applications.

On the typical engine management system found on American cars the computer will monitor the engine speed, the air temperature and pressure, the throttle opening, the position of the pistons and temperature of the coolant many times a second. From this information it constantly adjusts the air to fuel mixture and the ignition timing, and it controls the pollution equipment.

Ford in America claims that its latest system, Electronic Engine Management 03, the third in three years, does the equivalent calculations to 400,000 hours of an engineer working with a calculator in just one minute of engine running time.

On General Motors' Cadillac range the computer selects how many cylinders are in use at any time on its standard six-



1: Engine management systems. Controls fuel mixture, ignition timing and exhaust. 2: Automatic gearbox control. 3: Cruise controls, which keep the car at a constant speed. 4: Electronically controlled heating and air conditioning systems. 5: Anti-theft devices. 6: Automatic headlamp adjustment. 7: "Keyless" entry. 8: Anti-skid brakes. 9: Electronic instrumentation. 10: Multi-plex electronics.

line V-8 engine. Depending on the demands being made of the engine it automatically — and almost imperceptibly — switches from four to six in eight cylinders.

In addition, computerised engine management controls are being extended to automatic gearboxes as they can use finer and more variable control. It can also be used to diagnose faults — either to warn the driver or to help the garage locate a fault.

In the United States there has also been widespread introduction of electronics into the vehicle controls. Electronic cruise controls, which keep the car at constant speed, are common as are electronically controlled heating and air-conditioning systems.

Other uses of electronics include anti-theft devices, automatic headlamp adjustments, and "keyless entry" — you press a code number on a little key pad.

Instrumentation is a major area where electronics are expected to make inroads both in the replacement of electromechanical parts and in the display of information.

First to plunge publicly into this difficult pool was Aston Martin in 1976 which caused consternation in the car industry when it announced the new Lagonda would have an all-electronic dashboard. It was to have a wide range of instruments with electronic digital and analogue displays for each function.

That proud boast was to become a long and painful headache for Aston Martin. Neither a firm of specialist consultants nor a university engineering department could solve the considerable technical problems. Eventually it had to buy a much more modest off-the-shelf system from an American company.

There are a number of problems — not yet solved — with electronic instrumentation. First there is the difficulty of producing an electronic display which is visible in bright sunlight.

Second if it is to be analogue — ie in the conventional format of dials — it can involve a large amount of cumbersome wiring. Great arguments rage over whether the information is best presented in digital or analogue form.

For instance a digital speedometer is quicker to read but it is not so easy to gauge change in speed and the flickering between numbers can irritate.

A number of other applications both present and future have been identified by the car makers and semiconductor companies. Electronic anti-skid brakes developed by Bosch are already being fitted to BMW cars and to some Mercedes-Benz lorries.

Further applications include sophisticated automatic load levelling — increasingly important as cars become lighter and therefore more unbalanced by heavy loads.

Another particularly attractive application is to "multiplex" the car's wiring. It means the great (and heavy) loom of wiring is replaced by two wires running round to every electrical component. One carries the power and the other an electronic signal which is recognised only by the device which is to be switched on or off.

Few people in the industry see this as commercially possible before 1985 — mainly because of the high cost of the switching device at each component. (Britain's GEC last year went into a joint venture with Ward and Goldstone on a company called Salplex to develop such a wiring system.)

In Germany there is currently an experimental electronic route guidance system being run on a small section of autobahn. A small computer in the car can navigate for the driver and warn him of potential hazards or traffic problems by receiving information from loops buried under the road which are connected to a central computer.

Although the applications of electronics in cars are both wide and numerous there are still a number of steep hurdles.

The car, especially under the bonnet, is a very hostile environment for a microchip. The car manufacturers demand a very high level of reliability and expect the chip to be able to operate in temperatures ranging from 40deg Celsius to +120deg and a humidity of up to 100 per cent, to be vibrated with forces of up to 20G, to be exposed to salt, acid and petrol and to suffer high levels of electrical interference, all at a low price.

Many of the technical problems of achieving sufficient reliability have been solved. Even so, engine management systems have a "limp home" facility should the microelectronics fail.

But the cost problems remain. The biggest ones are where the electronics system

meets with the physical environment it is measuring and controlling. The cost of sensors and actuators is often prohibitively high.

The relationship between the motor and electronics industries has not always been totally harmonious.

The car industry has little in common with the brush, rapidly expanding semiconductor companies with their rapidly evolving products. It takes many years to get a car from the drawing board into mass production, during which time the semiconductor industry's products will have gone through several complete generations.

The car industry's unwillingness to commit itself to long orders has made the semiconductor industry somewhat wary of investing in the increasingly expensive wafer

fabrication plant. Reluctantly the automotive industry has found that it must commit money to the design of custom-built microchips which can be an expensive process.

European manufacturers are at a disadvantage to United States and Japanese competitors. Lacking the stimulus of legislation they will be entering automotive electronics much later than the United States and Japanese companies which have gained substantial price benefits from getting into high volumes.

Second, the relatively low volumes of production of European car manufacturers make it much harder anyway to justify the costs of developing and producing electronic components.

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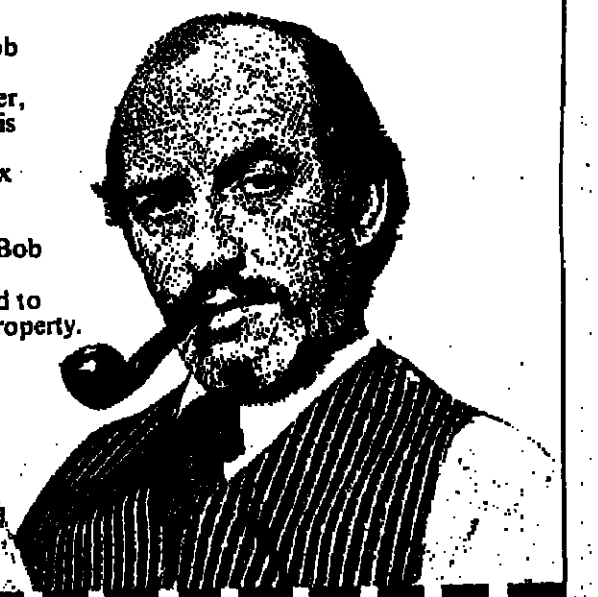
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## Law

## New legislation tidies up aspects of moneylending

by Neil Scott

THE Credit Contracts Bill is a low-profile piece of legislation. Introduced to Parliament last year and held over for recess study, it was reported back from the Statutes Revision Committee earlier this month. Once passed into law it is likely to touch every business and every household in the country.

Every "credit contract" is affected in some way. This term means, essentially, every contract by which money or goods or services are provided by one party (the creditor) against a promise by another party (the debtor) to pay, or repay, in the future a sum in total exceeding the amount of the original advance or the cash price of the goods or services.

This definition will cover every household mortgage, every hire purchase transac-

tion, every bank overdraft. Indeed, it is so wide that the draftsman has found it necessary to expressly exclude from the definition insurance policies and leases.

The bill has been described as complex by some people (Geoffrey Palmer MP, for one, expressed a need for a wet towel round his head when reading it) but it is probably not particularly difficult for anyone with reasonable commercial familiarity.

What does make it confusing — and this goes for all legislation — is the form of reporting back from the Select Committee. A maze of brackets, heavy lines, light lines, double lines, italics — the aim is to demonstrate suggested amendments, but the consequence is bewilderment. Surely, Mr Government Printer, there is a better way?

The Bill has four quite distinct areas of impact. The first deals with "oppressive" credit contracts. Where a contract is oppressive (as defined in the bill), or any right or power under the contract is exercised in an oppressive manner, the transaction can be reopened by the court.

If, having considered the relevant circumstances, the court decides to reopen the contract, it may then make any of a number of orders to restore equity between the parties.

The second area of impact, and that with the most significant day to day implications, is that requiring "disclosure" in the case of a "controlled credit contract". This is a credit contract in which either (a) the creditor is a "financier", or (b) the parties to the contract were introduced by a "paid adviser".

A financier is, basically,

someone who provides credit in the course of his business. A paid adviser is, literally, "a person who... acts for reward as an adviser to, or as a trustee, nominee, or agent of, one or more of the parties to the contract." (I hat catches solicitors' contributory mortgages, for a start.)

Excluded from this definition are (among others) contracts where all the parties are related companies; where the debtor is a financier public body, or company with a paid up capital of at least \$1 million; a contract which is governed by the Securities Act or the Door-to-Door Sales Act; and a contract which is part of an import/export transaction.

Every creditor must make disclosure within 15 working days of entering into a controlled credit contract. The requirements for disclosure are

set out in the bill's second schedule. Most importantly, the debtor must be told the "total cost of credit" and the "finance rate" applicable.

The total cost of credit is the amount by which payment by the debtor to the creditor exceeds the sum advanced or the cash price of the goods or services supplied. This catches not merely interest payments but also the various unspecified "finance charges" which tend to creep into hire purchase and financing arrangements.

(Reasonably incurred costs to the creditor — such as legal fees — passed on to the debtor do not form part of the total cost of credit.)

The finance rate is the total cost of credit expressed as a percentage per annum of the amount of credit given. In layman's terms, it tells the debtor what he is really paying as interest.

Up until three working days after disclosure is made, a debtor has the right to cancel the contract or, where possession of goods has changed hands, to convert from a credit to a cash contract. (This power of cancellation is the subject of a further disclosure requirement in "deferred payment dispositions" — primarily hire purchase contracts — where the debtor must be given a statutory written statement of cancellation rights.)

A failure to make the required disclosure may lead to a reduction in the total cost of credit payable by the debtor equal to triple the amount proportionately payable for the period of non-disclosure.

In other words, if, for instance, the creditor was a month late in making disclosure, a sum calculated as being three times the amount

## Transport

## The case for Skybus taking over main trunk routes

by Bob Stott

AS with the Springbok tour, it appears that the Government is hoping the Skybus affair will somehow solve itself.

What Skybus is planning to do is well known: the idea is that it will become affiliated with an aero club, so that its passengers in effect will be aero club members. In this way the aircraft can be operated under the same rules which govern a couple of club members popping off on a cross-country in a two-seater.

But the Skybus "aero club" might have a membership of well over 10,000 by the time its 60-seater Viscount aircraft is in operation. And that sort of capacity on the trunk routes is going to hit Air New Zealand hard.

The Skybus affair has been the subject of several Government pronouncements including a strongly worded statement which warned prospective members that Skybus was a somewhat unusual operation as far as licensing requirements were concerned. But the Government has not tidied up the legislation to plug any loopholes which the Skybus promoters might have found.

This must be creating some sort of a political problem, especially in an election year. Skybus can be seen as a brave attempt by a group of entrepreneurs to challenge the might of state-owned transport by establishing an air service which has the interests of its members at heart and which is determined to once again bring the cost of an air ticket within reach of all.

If — after the organisation has signed up thousands of members and has bought an aircraft in New Zealand — the Government uses the power of Parliament to block the start of Skybus services, there must be a political back-lash from disgruntled Skybus members and from all those who believe the National Party is honour-bound to support almost any

free enterprise move — and all that only weeks from a general election.

With only one aircraft or even with two, Skybus could not take over the trunk routes entirely, but it could make a large dent in these profitable runs.

Air New Zealand like its predecessor, NAC, has cross-subsidised, in that at least some trunk profits have helped cover the cost of the less-than-lucrative provincial routes — the airline equivalent of the railway branchline.

With Skybus in action, Air New Zealand will have less surplus cash from the trunks to assist the secondary routes. But does this matter? After all, there is a lot of talk that the best way to handle provincial services would be for Air New Zealand to stand aside and allow the so-called third-level operators to expand.

Already small private airlines, using light twin-engine aircraft, run a host of linking services to minor centres, and most do this very well.

If Skybus can expand and cope with trunk services and if the third levels can take over secondary routes, and if both groups can make money on the deal, then would it not be in the interests of the public and taxpayers to move or less dismantle the Air New Zealand domestic service and so eliminate the mounting losses which this service is making?

The only real justification for the state to get involved in a business such as air transport in our sort of economy is that such services are essential, yet inherently unprofitable.

If profits are to be made, then it is surely better for the Government to keep clear and let private enterprise get on with it. Otherwise, the state could get stuck into any profitable area it felt like, right down to corner stores.

If such a grouping of private enterprise concerns took over all domestic air services would the user be any worse off? Certainly the taxpayer would no longer have to foot the bill for any deficits. At the same time the private enterprise operators would hardly be so foolish to get involved in money-losing services in the way that NAC, now Air New Zealand, has done.

On the other hand, NAC did build up a most complete and almost lavish national network of air transport services for both people and freight.

The network linked almost every significant centre of population, so that travellers in any part of New Zealand could get to almost any other part in less than a day's travel.

Air freight-users, too, could despatch parcels large and small from one part of the country to the other, and because even the most minor air routes were served by

friendships quite big items (eg truck spares, machinery parts) could be handled with ease.

The price we have paid for this network is the annual deficit on Air New Zealand domestic services, a price which is apparently running in the tens of millions of dollars.

So in a way the real question is not whether Skybus should be allowed to bring its plans to fruition, but what the value of a national network of air services really is.

To the businessman, what is the value of a service which allows him to take off from the city on a day trip to almost anywhere, flying in a large (or relatively large) plane in which he can have space to do a bit of work en route, or have a nap, in which he can grab a cup of coffee and a couple of biscuits.

What is the value of being

able to despatch an urgently needed spare part, perhaps quite heavy and bulky, to almost any part of the country? To the public at large, what is the value of a service which allows an emergency trip to say a sick relative in a distant part of the country, a service which almost always has enough spare capacity that there is no real trouble in booking a seat at short notice?

To all users, what is the value of an integrated service which, no matter what the route, offers the same baggage allowance and standardisation in all other respects? What value can be placed on a network operated by scheduled services whose licences obligate them to take off even if only one passenger fronts up for a ride?

If the value which the public places on all these aspects is

more or less matched with the dollars lost annually by Air New Zealand, then the public is getting its money's worth.

But if there is a feeling that although a uniform national network is vital private enterprise might be able to do it better, then maybe the answer is to grant Skybus a regular licence, giving it rights to a share of the traffic and, at the same time, make it accept certain responsibilities, such as maintaining services on days when there is little traffic offering.

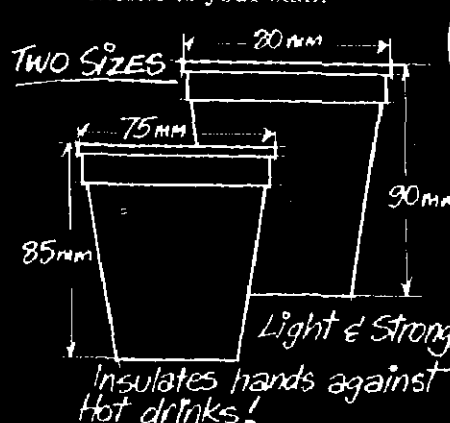
Applying the same rules to third-level operators would mean a retention of a unified national timetable network, although operated by private enterprise instead of the state. But as there are aspects of a national service which seem to be incapable of earning money, it might be necessary to offer some operating subsidies.

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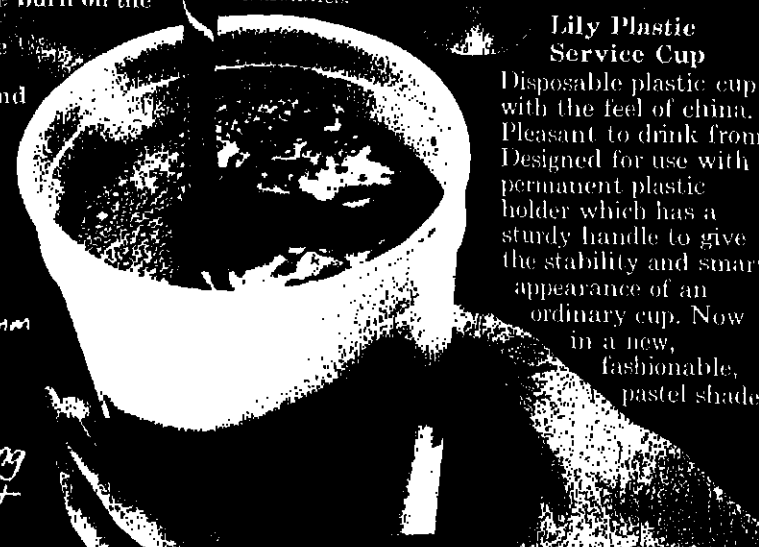
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The Auckland scene — Pages 33-40

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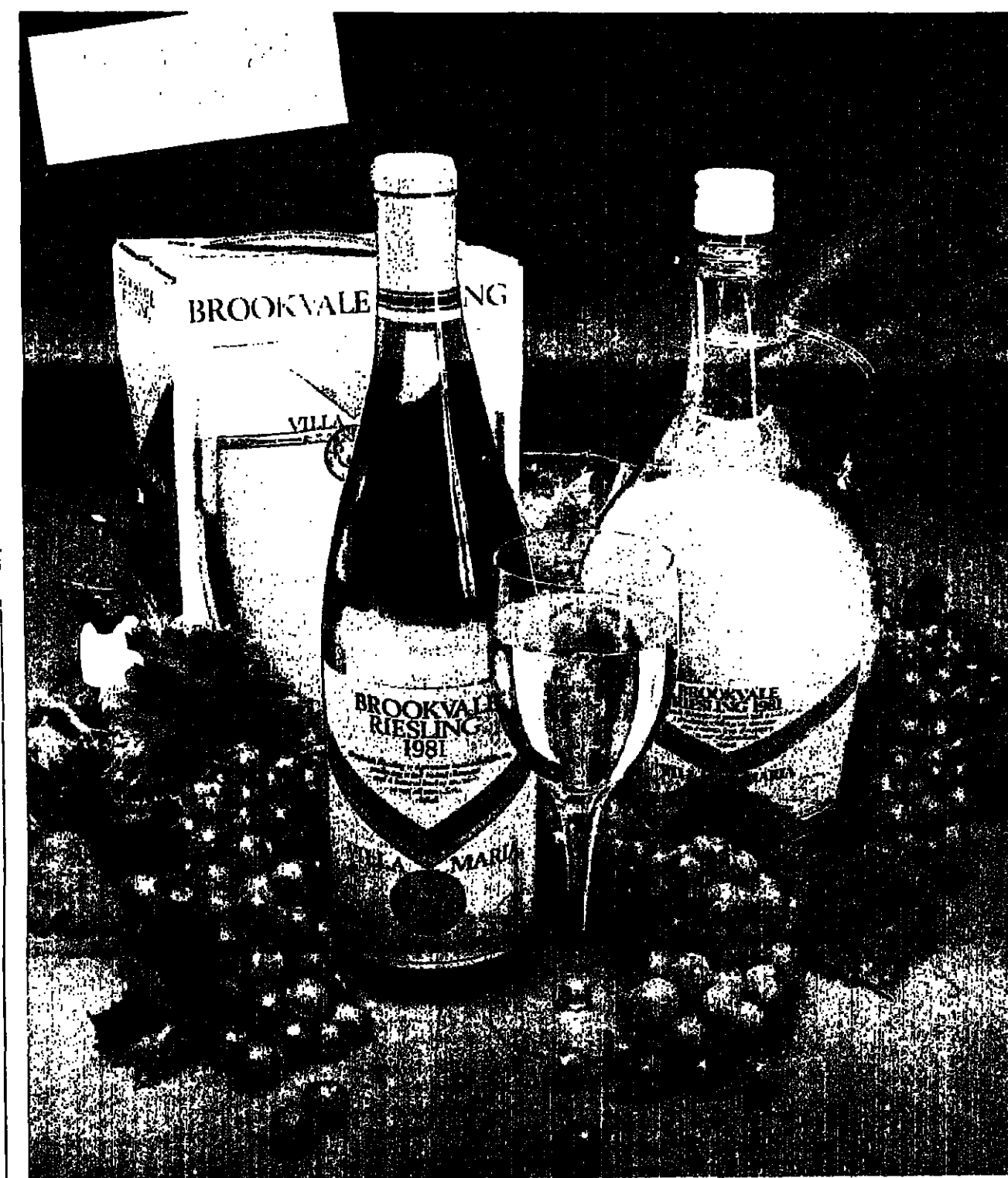
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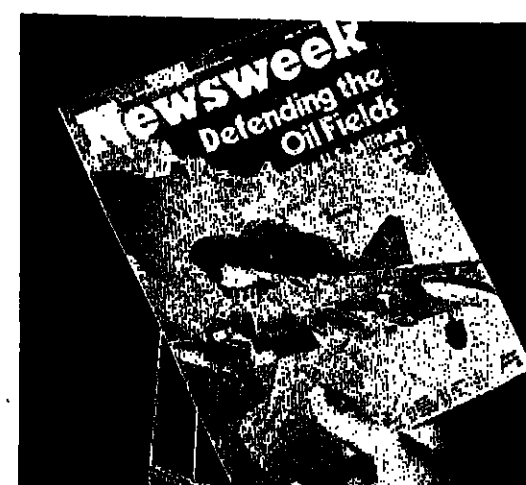
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TOTAL: 8	TOTAL: 12	RATING POINTS
REACH (Target audience)	REACH (Target audience)	AVERAGE FREQUENCY
RATING POINTS	RATING POINTS	
AVERAGE FREQUENCY	AVERAGE FREQUENCY	

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## REACH FOR NEWSWEEK

### Overseas trade

## Muldoon's threats shadow on Japanese agreement

by Allan Parker

PRIME Minister Rob Muldoon's threat to lop off export incentives to the forestry industry has obscured the recent agreement between Japan and New Zealand to allow use of Kiwi radiata pine in Japanese buildings.

Curiously, at the same time as this further barrier in the way of opening up the Japanese house building industry to New Zealand timber was removed, Muldoon's threat could replace it with another hurdle.

Removal of the export incentives, the local industry says, negates the many years work that has gone into getting Japanese scientists to agree our pine can be used in houses there.

But equally, claims that the agreement reached in Rotorua late in June is a breakthrough with promise of multi-million dollar export riches are being met with some caution by the local industry.

The sawmillers, who would process the pine into products such as beams and joists, believe the next job of getting acceptance of the New Zealand raw material is a major marketing problem.

Competition from other producers, too, makes the Japanese market - in many ways unique as a customer of processed timber products - an extremely difficult one to penetrate.

The 350-odd New Zealand mills which form the New Zealand Sawmillers' Federation cite trading practices by competitor nations that restrict local sales to Japan. On the other hand, stricter market regulations within New Zealand do not allow local mills the same advantages.

At such a time, one industry member has said, Muldoon should be talking about removing the disincentives, rather than threatening review or even removal of incentives.

And, if that threat results in action against the industry by removing the export incentives, the mill owners are concerned that they will be lumped in with the raw material producers, the forestry companies who supply the timber.

They believe their contribution to such national economic considerations as regional employment, added value and job creation, should stand them apart from the entire industry.

As one industry observer commented: "They (the sawmillers) don't want to become the wood that the

Government can't see because of the trees."

In particular, they regard the coming decade as still a largely developmental period for the industry; supply shortages will continue until 1990 when the big new plantings come on-stream to multiply forest output three or four times.

Also, the nature of the wood that will come from the past-1990 output will have to be somewhat altered.

These newer plantings have, for instance, been genetically-strained and more intensively cultivated, giving a more uniform quality of smaller-sized logs which in turn will enhance marketing prospects.

The present forest output, on the other hand, has a more haphazard quality.

No long-term promise of better quality and the short-term shortage of supply means there is unlikely to be a rush into hard-sell marketing into Japan with the recent agreement.

Protection of current markets will be more imperative. Said one industry official: "We don't want to throw the baby out with the bathwater."

Rather, the saw millers see the Rotorua agreement as "a step forward". Added the official: "You could say we've cut the wires on the fence."

Certainly, New Zealand has had no little trouble in finding a way through the maze of international competition and internal Japanese tradition.

The industry has essentially been trying to obtain approval for exports of processed timber in building material form as opposed to the historical New Zealand exports of logs or "litches" - large squares of timber that still need processing into final product form.

Japanese resistance has centred around the claimed weakness of New Zealand radiata because our pines grow so quickly, ring width, which measures annual growth, tends to be wider than northern hemisphere pines that have to grow under colder temperatures. This was said to weaken the core of the timber and make it unfit for Japanese building standards.

The New Zealand industry has been trying to break into a new style of house structure in Japan, what is called the two-by-four construction style (not uncommon to traditional New Zealand house building styles and described as platform construction).

This style of construction represents only some 5 per cent of the Japanese market (about 50,000 houses a year currently, although the Japanese industry is extremely depressed and running at some 40 per cent below average).

The Japanese concern has centred on the strength of radiata pine for this construction. Special standards were adopted to cover the pine, which falls into what the Japanese have defined as a Spruce-Pine-Fir (SPF) grouping of species.

Another species grouping, Hemfir, is used in the more common, more traditional style of Japanese house construction. New Zealand has tried unsuccessfully to get radiata pine into this grouping, arguing that local quality is comparable to the Hemfir species.

Of equal importance to this argument is the 10 per cent tariff applied to SPF processed for finished sizes. Hemfir does not carry this duty and New Zealand had hoped to avoid it by getting a grading in the Hemfir range.

Conditioning this hope was the fact that North American suppliers, particularly the Canadians who are New Zealand's major competitor, fall within the Hemfir range and are reported by one estimate to have spent \$60 million designing the platform housing styles. According to this argument, the designs were built around their own timber supplies.

Conversely, the Soviet Union supplies fall within the SPF range and qualify for the 10 per cent tariff. The local industry has thus been put together with a competitor that, for what it assumes is foreign trade and political policies, suffers from a protectionist attitude.

Says Sawmillers Federation timber export division chairman Bruce Webby: "While progress in these long-running negotiations with scientists form a strong and promising market is certainly welcome, the 10 per cent duty is a further hurdle to overcome in pricing competitively in the market. There should be no illusion that Japan is anything but a highly competitive timber market."

The caution of Webby, and in fact his saw milling colleagues, is also conditioned by the marketing practices of international competitors.

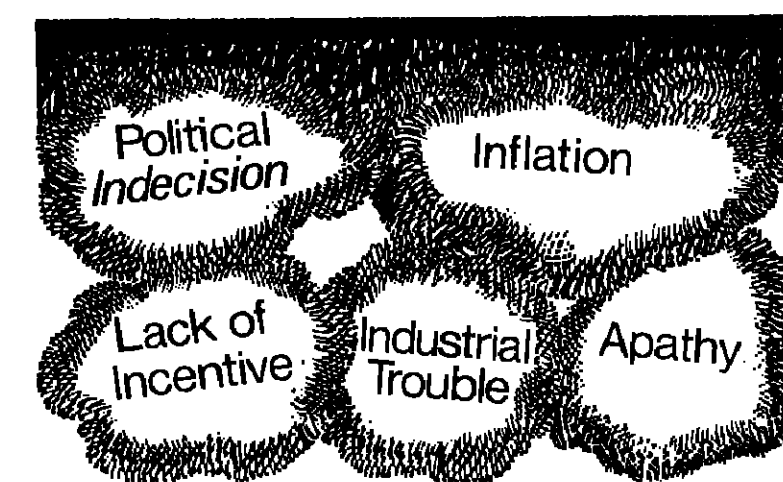
For instance, it is common knowledge within the local industry that Canadians can buy their logs at a high domestic stumpage rate for the local market and a low rate for the export market.

They also have to compete

with Soviet and Chilean transport charges that are geared more towards foreign exchange earnings than competitive market rates.

So industry concern about Muldoon's threat to review export incentives surprises the industry, if not shocks it, while other countries operate with incentives or, at least, non-market considerations, attempts to restrict New Zealand's competitiveness would be suicidal, they say.

Particularly in an environment surrounded by market-inspired uncertainties like material shortages and longer term changes in material product.



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## Award honours NZ cancer researcher

by Lindsey Dawson

THE multinational pharmaceutical company, Warner-Lambert, is setting up an annual Cain Memorial Award in honour of the late Dr Bruce Cain, the Auckland cancer researcher whose team developed the anti-leukaemia drug, meta-AMSA.

It will be administered by the American Association for Cancer Research.

The prestige awards - there are only three others in the field - will recognise an individual or research team for outstanding pre-clinical research leading to the discovery of a significant new therapeutic agent for the improved care of cancer patients.

The prize, to be competed for on a worldwide basis, gives the winner \$US1000 plus travelling expenses so that he or she can deliver a Cain Memorial paper at the AACR's annual meeting.

The first award will be presented next April in Missouri.

Warner-Lambert is deeply committed to New Zealand cancer research begun by Dr Cain, who died in January 1980, and has provided inflation-proofed \$200,000 fellowships in Auckland to ensure continuation of the work Cain initiated.

"They see our research facilities as almost unique in the world in the way that the

team of specialists with diverse interests works together," said the chief executive of the New Zealand Cancer Society, Allan Spence.

Clinical trials with Meta-AMSA have shown good results in young adults with leukaemia, and the drug will be marketed by Warner-Lambert in Europe first and in Australasia by the end of next year.

The Auckland research team, working under the leadership of Dr Bruce Baguley, is extending testing so that the drug can be developed to treat other types of cancer.

Baguley is visiting Warner-Lambert in the United States for discussions on cancer research work.



## Shipping

## Blacklisting threats from Japanese shipping cartel

by Warren Berryman

THREATS of blacklisting and financial penalties from the Australian-New Zealand Eastern Shipping Conference have been issued against New Zealand importers who have been cutting their freight bills in half by shipping with non-conference Jebson Lines.

As this Japanese-dominated shipping cartel was telling importers to stop using Jebson or bear the consequences, one cartel member, the New Zealand Shipping Corporation, was negotiating the use of Jebson Lines ships on the New Zealand-Japan-Korea trade.

Shipping Corporation manager Charles Speight and chairman Sir Tom Skinner have just returned from Bergen, Norway, where they opened negotiations with Jebson's owners.

Conference ships are container ships. Much of the trade from Japan such as automobiles, steel, and chemicals suits conventional break bulk ships and the conference contracts space on conventional ships, such as the ill-fated Pacific Charger, to carry these cargoes.

The Shipping Corporation wants to charter space on Jebson ships to carry break bulk cargo. It was anticipated this could be done within conference rules.

But, apparently without the corporation's knowledge, the Japanese conference members began its threatening campaign against Jebson's customers.

Thus while the Shipping Corporation was wooing Jebson Lines its fellow cartel members were trying to scare Jebson's customers off with threats.

The Australia-New Zealand Eastern Shipping Conference is a price-fixing cartel controlling much of the shipping between Japan and Australasia. This cartel has close links with the big Japanese trading houses and industrialists.

In return for a special freight rate these Japanese trading houses and industrialists have signed a contract with the cartel, agreeing to ship only with conference members, Mitsui OSK, the Japan Line, CSCO (a P & O subsidiary) and the Shipping Corporation.

If these industrialists ship with a non-conference line, they not only break faith with Japan Incorporated but break their contract with the cartel — and have to pay penal freight rates for future shipments.

The Japanese suppliers are bound by a contract to the cartel. New Zealand importers

are not. If the New Zealand importer buys his Japanese goods delivered in Japan he can freely nominate the shipping line of his choice. In effect, the importer becomes the shipper.

The Japanese supplier can't use non-conference ships because he is bound by contract to the cartel but the importer is not bound by contract.

By shipping non-conference the importer can cut conference rates in half.

Japanese suppliers are tacitly going along with this arrangement because any reduction in freight rates means their goods can be landed here at a lower and more competitive price.

The net effect for this country is cheaper Japanese goods and less foreign exchange spent on shipping.

But the cartel is obviously not happy about the business it is losing to non-conference

break bulk carriers such as Jebson Lines, Transpacific-Gearbulk and Lauritzen.

While the cartel has no legally binding contract with New Zealand importers, it has threatened them with blacklisting if they go outside the conference.

The cartel began threatening New Zealanders shipping containers from Japan some time ago. Now shippers of bulk cargoes are being threatened.

Jebson's customers have been told by the conference if they continue to use Jebson Lines they will be blacklisted and any cargo consigned to them in future, even if it comes from a Japanese supplier loyal to the cartel, will be charged a penalty rate if it goes by a conference ship.

So far all threats from the cartel have proved hollow. They have succeeded only in angering the New Zealand importers, who, while treading warily, have ignored them.

As a non-conference independent, Jebson Lines offered shippers two forms of savings:

- Freight rates at less than half those charged by the cartel;
- Cheaper and faster handling on the Auckland wharf.

Different commodities bear different freight rates. But to choose one example: commodity X. Shipped by cartel member Japan Lines it would cost about \$220 a tonne from Japan. On Jebson Lines \$104 a tonne.

When cartel ships pull into the Auckland container wharf waterside union rules say all cargo packed in less than full container loads must be unpacked on the wharf with union labour.

Having a container unpacked on the wharf with waterside union labour costs about 400 per cent more than having the same container unpacked off

the wharf by Storemen and Packers Union labour.

But, back to commodity X. If it comes in in less than container load and is unpacked on the wharf the shipper pays about \$41 a tonne and has to wait a week to 10 days for delivery.

If the same cargo comes by Jebson Lines it arrives at the conventional shipping wharf and is offloaded straight on to the consignee's truck. Port service charges, \$10.87 a tonne and no delay.

The mere presence of non-conference competition in the New Zealand Japan trade has already brought freight rates down.

Early this year Japanese cartel members started offering a 15 per cent "fighting discount" to win customers back from non-conference carriers.

But, New Zealand is still getting a good deal from the cartel. The same cartel serving the New Zealand trade also serves our Australian competitors — at lower freight rates.

One shipping source compared the Japan-New Zealand rate with the Japan-Australia rate and found the Australia rate were paying on average 40 per cent less for southbound cargo.

On northbound exports Japan the average rate per container from Australia would out from \$4800 to \$4100 a container, versus \$1500 to \$2000 a container from here.

Jebson Lines now uses Greek ships with Greek crews. Two years ago the New Zealand Seamen Union took action against Jebson as a cross trader and forced the line to undertake to use Seamen Union labour within two years.

The two years are now up. And Jebson will use higher-cost New Zealand seamen on at least one of its ships.

## Admark

## Lessons for marketers

MANY well-intentioned manufacturers and marketers are wasting considerable sums of money in the production of informational material designed for school children.

Much of it fails to agree with the right reading levels. Some of it will not fit satisfactorily into school curricula.

Other material is simply not acceptable and may be banned from schools because it has no educational input.

These are the opinions of senior members of the curriculum development division of the Department of Education... a unit which deserves to be better known by business.

Effective education requires not only well trained and qualified teachers but what are described as "resources".

Human resources are instructors or teachers in specialised subjects. Non-human resources are printed material, or audio or visual aids which can be used by teachers or pupils or both.

The department's health education resources project — known as HERP — demonstrates how outside agencies can make an input into education for their own benefit and yet serve the educational purpose.

The Alcoholic Liquor Advisory Council and the National Heart Foundation both make substantial annual contributions to HERP. This not only enables the production of resource material but contributes to the employment of permanent staff working in this area.

Under the health education programme, for example, comes education on the use of drugs — not only controlled or illicit drugs but common drugs such as alcohol, cigarettes, aspirin and medicinal drugs such as tranquillisers and sleeping pills.

Support for HERP on safety subjects comes from the ACC and the Fire Service.

In a parallel fashion, the curriculum development division has been working with marketers to produce "kits" of resource materials for teaching purposes.

Close co-operation in the production of the material satisfies two aims.

The sponsor is able to communicate a factual message about its product to present users and future housekeepers of the nation. The education department receives valuable teaching material at little or no cost and so can use its existing funds to better advantage.

But there are qualifications.

"No advertising is permitted. No product promotion." This is what Roy Phillipps of the division told *Admark*. "A credit line identifying the sponsor is in order. The question we ask is 'will it support the curriculum?' It is a matter of tying the project to what the curriculum is endeavouring to do."

The cost of such a project varies widely, depending on the range of contents, the sophistication of the material — audio-visual material, for instance — and the number required. If the services of education staff are needed in the compilation, their time-costs are part of the price.

Yet it is possible to combine with other sponsors to produce joint material at a lower unit cost.

So the project cost can vary from a low of \$5000 across a

broad range up to \$40,000 approximately.

For this the sponsor gets access to every school in New Zealand. The material will have a minimum life of five years and may be used for up to 15 years. (In teaching, the original material is not consumed but photo-copied each time.)

And it may be used for a variety of subjects. A kit on the subject of milk, based on the theme of aerobic fitness, is used in teaching science, physical education and health.

Public relations consultants have been active in this development and Network Communications has been involved in the production of four kits funded by their clients — three for milk and one for bread. Consultants have recently worked with the Park

Marketing Board on a kit for Trim Pork.

*Slice of Life*, a Forms 1-2 home economics food and nutrition activity kit is introduced by a letter from the director-general of education which states, "the Association of Bakers provided the funds, co-ordinated the project, took responsibility for design and printing and has arranged distribution of the kits."

Manufacturers, distributors and marketers who have good reason to communicate with school children through better planned and prepared material that will enjoy the status conferred by being cleared through the department should head in at the start-point — the curriculum development division.

Even when no major project is contemplated, the advice of the department is not only free-

ly available but extremely valuable. — Grev Wiggs

## Figuring the trends

A RECENT issue of Goldberg's *Trends* wisely draws marketers' attention to the population figures now emerging from the 1981 Census which show a mixed picture of growth and decline.

"For many marketing people," says the bulletin, "changes in sales patterns are the early indications of changes in local populations. However, it is the Census figures themselves that confirm (or confound) sales representatives' reports and other similar observations."

The change in weightings for various items is a reflection of the changes taking place in lifestyles and living standards. "The cost of medical in-

surance is now reflected in the index. Also included is the air fare component of overseas travel. The weightings are based on the department's annual survey of 4000 households."

Housing, *Trends* points out as an example, is now 18.38 per cent of total expenditure against 23.53 formerly.

Transportation is now 18.27 per cent (previously 13.84 per cent). Expenditure on meat declined from 4.39 per cent to 3.72 per cent of the family budget but poultry rose.

Meals away from home took 2.28 per cent (1.87 per cent) and take aways went to 1.2 per cent (1.05 per cent).

All these shifts, which have been fully detailed in the *Abstract of Statistics* by the department, have a message for marketers.

— Grev Wiggs

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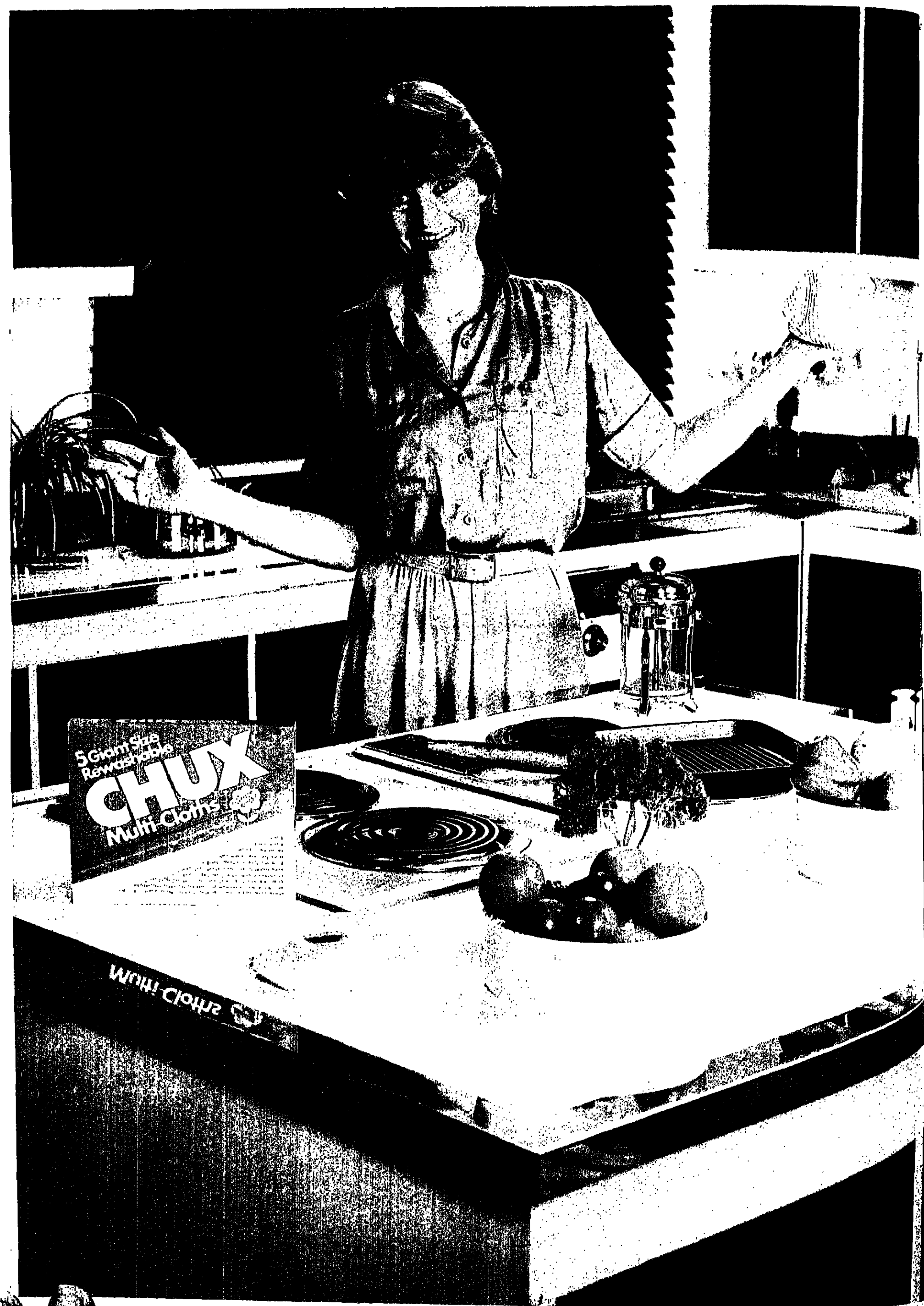
## TIME COVERS.

Which weekly news magazine has 22% women among its primary readers, and well qualified women at that? (Over 36% are professionals or managers.)

Which weekly news magazine has so many well-placed male primary readers? (31% are senior or middle managers and, 28% are professionals.)

And which weekly news magazine combines the highest circulation with such a quality audience? (And when we say quality we don't mean stuffy. 54% of TIME primary buyers are under 40.)

Survey of Time New Zealand primary readers by Erdos and Morgan, Aug-Oct., 1979.



## How Chux cleaned up in the market place.

A couple of years ago Chux was stuck in a rut. After a successful launch, the sales graph had levelled off. Growth was steady — but slow.

Some people might have left it at that. But Johnson & Johnson weren't prepared to.

The traditional kitchen sponge was still soaking up the lion's share of the housewives' cleaning dollar.

J & J decided to change that. They took a fresh look at the market and their product's positioning. Having done so, they also decided to ask Colenso to lend a hand.

Today Chux has a fresh new pack and fresh new advertising that has given it pride of place on the supermarket shelf.

Sales are soaring. And old fashioned sponges are feeling the squeeze.

Johnson & Johnson's commitment to aggressive brand leadership is a commitment we share.

Perhaps that's why Colenso has had more experience with brand leaders over the past decade than any other New Zealand agency. In fact 75% of our clients are brand leaders. Clients like Cadburys, ICI Tasman, Kentucky Fried Chicken, General Foods, Bank of New Zealand, Montana Wines and Johnson & Johnson.

We invite you to call Colenso and examine our track record. We'll show you how our unique advertising philosophy has helped some of New Zealand's most successful companies.

If you'd like to clean up in your market, perhaps it's time to let Colenso lend a hand.

Call Roger MacDonnell (Wgtn 843-789) or Gary Gwynne (Auck 771-529)

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The agency for brand leadership



## Admark

Social science  
aids marketing

CONFRONTED by a title like *The Persuaders Exposed*, the reader could look forward to another book in the Vance Packard mode, a ritual disembowelling of the advertising business.

In reality, this sober-sided treatment of the inter-relationship between social science and the business of marketing and advertising provides an informed and interpretive exposition of advertising and market

research theory devoid of fiery polemics.

Author Gerald de Groot, former director of marketing services at Lintas and former chairman of the British Market Research Society, currently heads a research company in England.

In the political idiom, it is very much a book "for the times".

With the change from rapid growth to slow growth or even "no-growth" economies due to the increase in oil prices, the need for all business costs to clearly justify themselves became acute in the late 1970s, the author states.

Coincidentally, there has been a growth in "consumerist" organisations and increasing control of advertising content. Of all business activities, advertising is the most difficult to justify in tangible cost and return terms.

The unstated conclusion is that the better the understanding of the various methodologies and disciplines employed in the advertising and marketing process, the more efficiently can practitioners discharge their responsibilities.

As "social science" endeavours to analyse, classify and express human behaviour

and as marketing men need to be able to influence human behaviour, the social disciplines are clearly relevant. And from this same source, we are reminded, are derived virtually all the techniques used in market research.

The author deals with the various disciplines in turn — model marketing, psychoanalysis and the various theories dealing with learning, personality, attitudes and behaviour and their applications.

I find the chapter dealing with the Freudian influence in advertising both enlightening and entertaining.

"The psychoanalytic view in all walks of life including advertising and marketing... is a prime example of a body of theory which explains everything while illuminating nothing."

"It may be fun to explain the need of a woman (in terms of her attitudes towards the child in her womb) to add an egg to a cake-mix, to find role-satisfaction in behaviour vis-a-vis cleaning products, and even the resolution of penis envy in the eating of a chocolate bar — but it is questionable business practice."

In learning theory, de Groot alerts us to the strengths and

weaknesses of such linear-sequential models as AIDA and DAGMAR.

Market segmentation undergoes a critical review under the heading of personality theory.

"For many goods of the type that have to be bought by virtually everybody the main discriminator between a person who buys brand A and the one who buys brand B tends to be just that. That is, one of them buys brand A, the other buys brand B."

Then he makes the distinction. "But segmentation, in terms of purchaser characteristics, is nevertheless, real and important in many markets, particularly markets where brand choice tends to be a statement about the purchaser to other people, or even to themselves."

The chapter on attitude theory brings us inevitably to the new Messiah of behaviourism, Martin Fishbein and his prophet Mary Tuck. Fishbein is credited with "an enormous contribution to modern marketing thinking."

In fewer than 150 pages, the book provides marketers with advertising people with fresh and sometimes disturbing viewpoints on subjects that are close to the very heartbeat of the advertising business. You are not advised to read it unless you are prepared to suffer the anguish of seeing some of your cherished doctrines bent or wholly fractured.

But you will benefit at the very least from a new insight into market research techniques that will assist immeasurably in comprehending and evaluating market research programmes.

This is not merely desirable but necessary tools-of-trade knowledge.

I understand that the book is not yet available in New Zealand and the copy I reviewed was by courtesy of the MacKay King agency library. — Grev Wiggs.

*The Persuaders Exposed. Advertising and Marketing: its derivative arts. By Gerald de Groot. Published by Associated Business, London, 1980. Bristle price 10.95 pounds.*

Electronic  
advances

AS we have previously reported in these columns, the effect of new communication and entertainment technologies on TV audiences and TV advertising is being closely observed and reported on in the country most affected, the USA.

Cable and satellite TV, video cassettes and discs are fragmenting audiences previously loyal to the networks.

Research conducted by J. Walter Thompson and reported in *Intermedia* estimates that prime-time network audience levels will decline from a 90 per cent to a 75 per cent share within 10 years.

Another estimate predicts that by 1985, cable households will rise to 35 per cent, videocassette homes to 14 per cent and videodisc homes to 11 per cent.

The day of the videocassette and cassette has arrived in this country.

Although it will be a long time before TV viewing could be affected, the ad industry, in watching the march of events overseas as it affects TV audiences, will also bestow an occasional wary glance at the New Zealand scene. — Grev Wiggs

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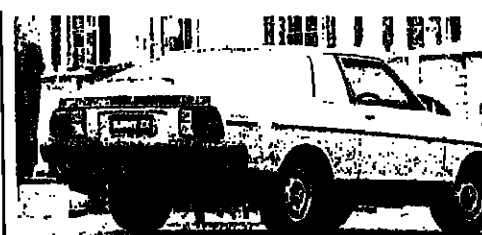
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## The Auckland scene



Photos: NZ L.A. Inc.

ELECTION  
WATCH '81

## Lose Auckland, lose the country

LOSE your grip on Auckland and you lose the country. Is that the fate awaiting the Labour Party?

There is a rule of thumb in marketing that new products sell best first in Auckland and old products linger longest in the South Island.

In politics there is some evidence to support that.

The old Liberal Party hung on longest in the South Island. In 1978 the revitalised Social Credit Political League did

relatively well in Auckland — better than in Wellington, Christchurch or Dunedin.

And Labour has been losing its old advantage over National in Auckland (see graphs Page 38). In 1946 it won 11 of the 14 seats there. In 1978 it took just half the 22 seats — and that 22 is one-quarter of the country.

Auckland is big, brash and bright. The extremes are sharper. There is more wealth and more ostentatious wealth than anywhere else. There is more poverty and more obvious, scarring poverty than anywhere else.

If you are young, ambitious and after prestige and a pot of gold, head for Auckland. If you are brown (or white for that matter) and out of work in the country, head for Auckland and the assembly lines and shop floors.

But either way, don't expect the easy life. The competition on your way to your first Alfa Romeo is tougher in Auckland. And so, at the other end of the scale the competition for a decent house is tougher.

It is natural that this rougher, tougher environment should have spawned Robert Muldoon. He was one of them and one of theirs — in a unique way straddling the poor (whence he

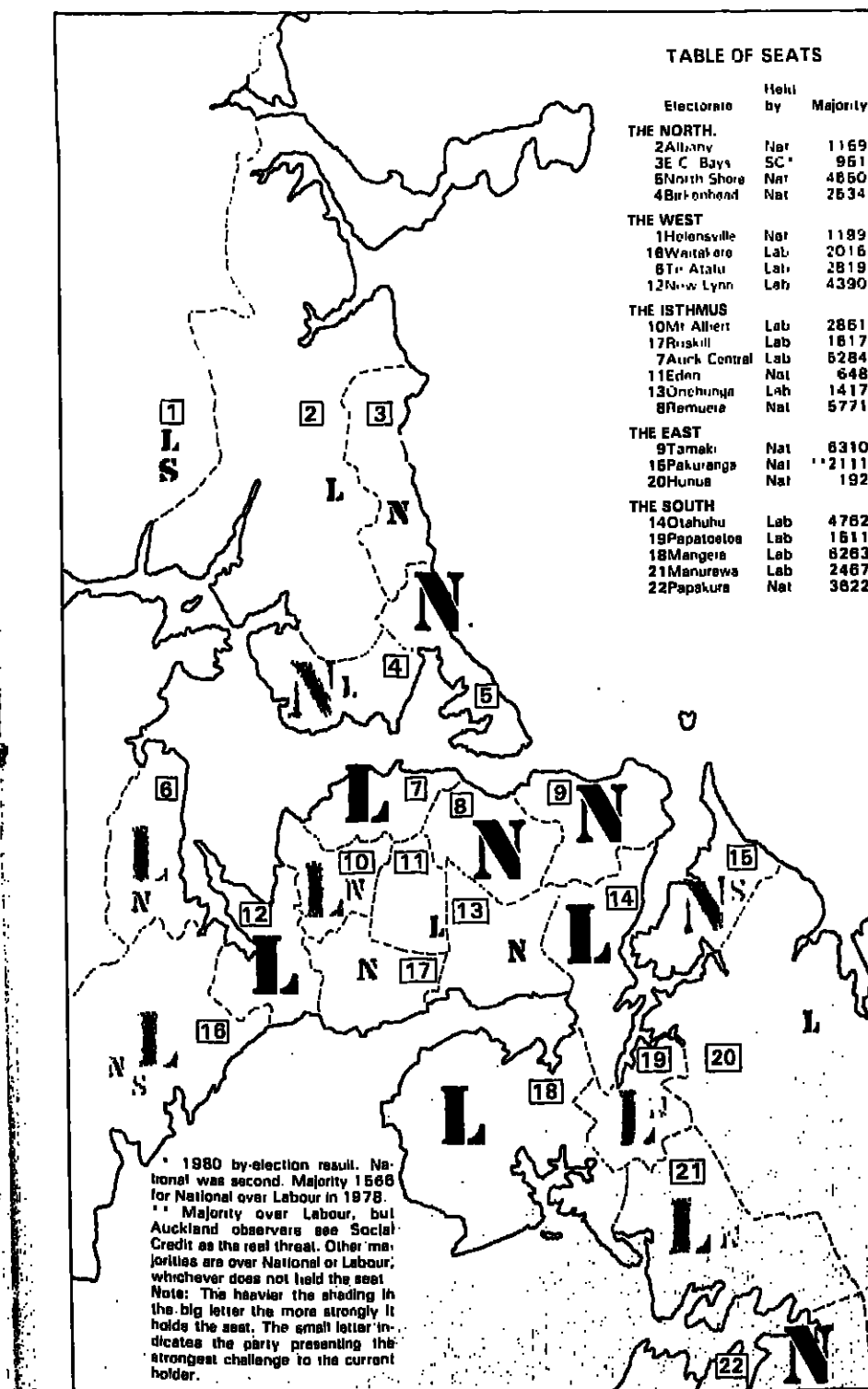
came) and the pyramid climbers (whither he went, tenaciously hauling himself, ledge to ledge, to the top).

He asks no quarter and gives none. Auckland is that sort of place.

It is a city of bigger booms and bleaker busts.

It rode up the 1960-75 boom furiously, spraying new houses in all directions. Whole suburbs erupted in a few years: East Coast Bays, mortgaged and double-paraged in the north; Massey, clinging to the precipice of interest rates and state loans in the west.

Continued Page 34



1980 by-election result. National was second. Majority 1586 for National over Labour in 1978. \* Majority over Labour, but Auckland observers see Social Credit as the real threat. Other majorities are over National or Labour, whichever does not hold the seat. Note: The heavier the shading in the big letter the more strongly it holds the seat. The small letter indicates the party presenting the strongest challenge to the current holder.

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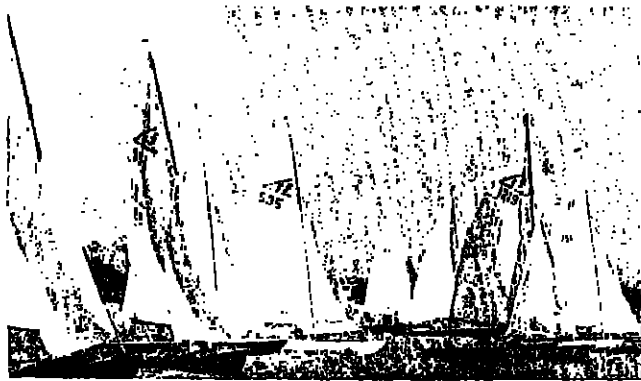
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## Beware, be wary, Labour . . . extremes aid Socred

From Page 33

But when it stopped it hurt more. A lifestyle built on expectations of growth takes some time to adapt to a standstill.

In such circumstances old solutions do not appeal much. So Auckland, in a sense, has left Muldoon behind.

At the Auckland division conference of the National Party this year he prefaced his keynote address by picking out of the audience "old friends" he had made, met or known during his rise.

But in the elections, delegates went for the new breed of party member: leaner, more wedded to a free economy, more liberal on moral issues than the lower-middle class Muldoonian 1970s.

"More market" is one of the new solutions for a plateaued Auckland looking for a new boom.

Another is "more money", coupled with a romantic belief in the corner shop: Social Credit.

In the Heylen polls of the past year Social Credit has recruited at a higher rate in Auckland than in the country as a whole.

This fascination for a new fad showed up in the 1978 election. Before then, Social Credit scored considerably worse in greater Auckland than in the country as a whole. In 1978 Auckland was only slightly lower than the average.

On the metropolitan fringes in the north, the west and the south, Social Credit polled around 20 per cent or more — well above the national average. In 1980, that upthrust pushed through in East Coast Bays on the North Shore to give the league its first urban seat.

Social Credit became a new refuge for the people in the middle of the political spectrum — biting deep into the lower regions of National support and into the traditional core of Labour.

Reanalysis of the latest TVNZ-Heylen Poll material for National Business Review shows that over the past six months Social Credit has been recruiting right across the

board, but particularly in the lower half of the socio-economic spectrum.

But across the racial divide, other new solutions are appealing.

Maori gangs are not just a social expression of low skill, joblessness, cultural disadvantage. They are a political expression of the irrelevance of the traditional parties to their problems.

At another, more recognisably political and more articulate level, Mana Motuhake preaches Maori solutions for Maoris.

Auckland is the cradle of an emerging Maori political consciousness which might be confined now to a minority of intellectuals and radicals but which seems likely to go gradually deeper into Maori attitudes.

If racial violence develops during the 1980s, it will be in Auckland that it is first felt. If a "Maori" party emerges fully on to the national political stage, it will be in Auckland first.

No one is confidently predicting what will happen in the Northern Maori electorate this November.

Mat Rata did better than radicals usually do in last year's by-election. Most Northern Maori votes are in Auckland and the old allegiance to Labour has been under strain. But whether Mana Motuhake, itself experiencing the usual internal divisive strains of early development, can divorce Maori voters from Labour is not clear.

Labour has problems with the white electorate, too.

Muldoon first exposed the developing softness in Labour's traditional support in 1975, when he exploited conservative lower middle class and working class prejudices skillfully to demolish Labour, particularly in Auckland where the swing to National was 2 percentage points higher than for the country as a whole.

That softness became starkly evident after the East Coast Bays by-election as the Labour support in the Heylen Poll

plummeted and Social Credit's rose.

But evidence for the softness in Auckland goes back further than that.

Graph I shows the degree by which Labour's share of the vote compared with National's was better in Auckland than in non-Maori electorates as a whole.

(The base line measures the countrywide difference between the parties as if it was constant, though, of course, it sometimes gave a Labour lead and sometimes a National lead; the upper line gives the extent to which the corresponding Auckland difference was more favourable to Labour, though even in Auckland sometimes Labour trailed National — in 1951 and 1975, for example.)

In the early 1950s there was not much change. Then from 1957 to 1966, Auckland waxed more favourable to Labour, in both 1957 and 1966 (both years of economic tension), giving higher swings to Labour in Auckland than generally.

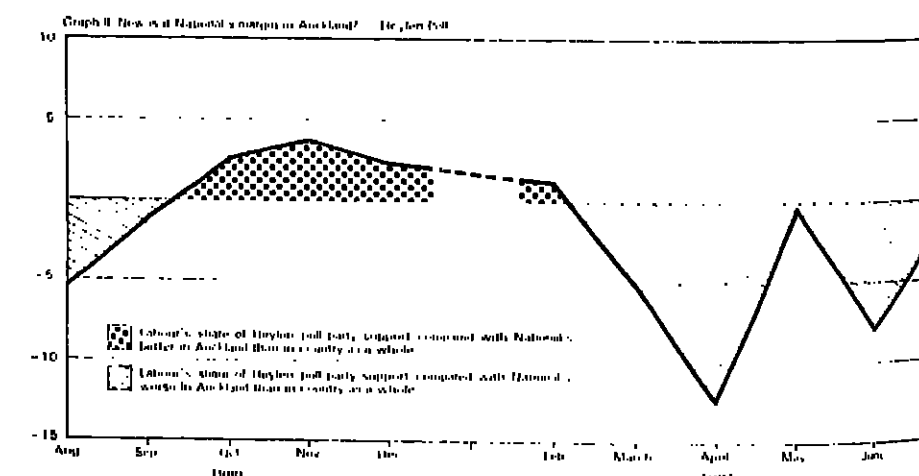
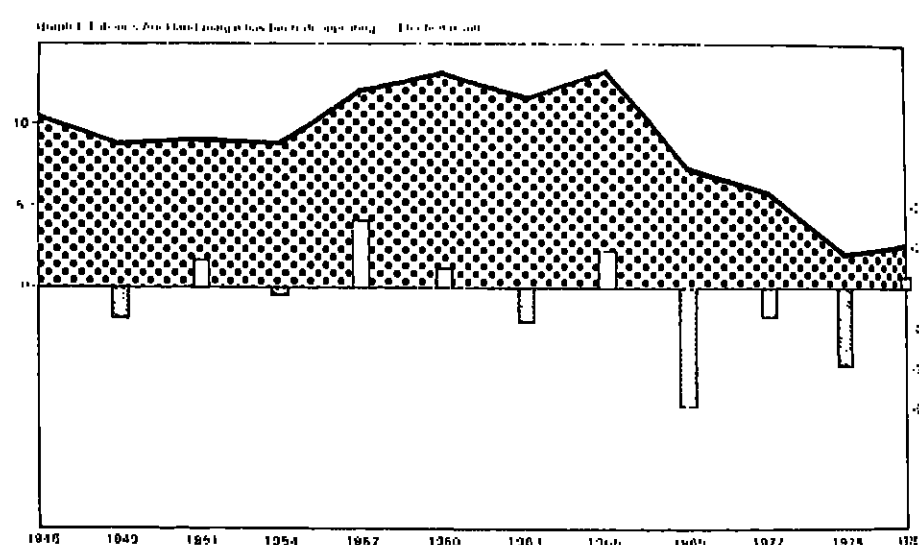
Then came the full weight of the boom — and perhaps the emergence of Muldoon as a national figure as Minister of Finance.

In 1969 Auckland saved the National Government, giving a pronounced swing to National while the rest of the country was going towards Labour. That trend continued through the boom to 1975.

In 1978, another year of economic strain, Labour picked up again in Auckland — perhaps by a bit more than the graph shows, since three new electorates that year, though predominantly suburban, also included chunks of furland, not discounted in the calculations.

That should have made Auckland logically good hunting ground for Labour this year, with, perhaps, higher-than-average swings away from National.

But, as graph II shows, Heylen Poll measurements suggest Auckland has this year so far been more unfavourable to Labour than the rest of the country. Note the sudden plunge in the graph between



Shaded area shows the extent to which Labour's share of the vote compared with National's was better than in the rest of the country, as a whole. (The base line shows the extent to which the swing in votes was for Labour in Auckland than in all non-Maori electorates.)

February and March, after the Mangere pickers dispute, which affected Auckland more than anywhere else.

Auckland seems to have been getting less unfavourable to Labour since April and — the wild card of the Springbok tour as yet uncountable — maybe it will cross back over into the black before the election.

But the jitters in Labour circles in Auckland, based on canvassing and internal party morale, seem to have been justified. Likewise, National hopes of picking up seats in Auckland, even while possibly losing them to Labour elsewhere, have had some foundation.

So National has been aiming its sights at seats on the isthmus where housing changes and a change of candidate in one case might lend further help (see Pages 36 and 37). Onehunga and Roskill, both held by Labour with majorities around 1500, are the targets.

National holds, too, some hope in Waitakere. But this time the south — where hopes of gains were high in 1978 in Papatoetoe and Manurewa — seems less vulnerable (though watch Papatoetoe).

Labour's best hopes lie in Hunua (see Page 35), held with a knife-edge majority on a court reversal of the 1978 result, Eden on the isthmus (majority

468) and Helensville (majority 1199) in the north-west where twice in the past four elections Labour has had seats snatched from its grasp that it thought were its for the asking.

But a more absorbing struggle is taking place between National and Social Credit, a national and Social Credit, as Social Credit tries to hold its 1980 gain in East Coast Bays (see Page 40) and puts the bet on in a very similar suburb in the east, Pakuranga (see Page 38). In both seats, Labour presence has melted away.

Social Credit is also strong enough in the west (see Page 38) to force the possibility of a three-way contest with the two major parties.

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But he is also a skilled organiser, with, for example, the stunning 1970 Marlborough by-election among his successes. Previously worried Labour observers insist that the organisation has now pulled together.

Still, Moyle the candidate lives with two legacies: veiled — and unsubstantiated — imputations that led indirectly to his resignation; and a trail of losses — in selections in

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# No isthmus is an island — but will besieged Labour

WHEN Nationalists look for potential long-term gains in Auckland, they focus on the central isthmus.

The flight from the city centre which fuelled a National harvest of new seats on the North Shore and in the east has reversed into a flight back to the centre.

Parnell has already been gentrified. Ponsonby is changing hands from underprivileged Polynesians to overmortgaged young middle-class liberals.

Houses in Mt Eden that a few years ago would have been dismissed as fuddy-duddy, boring and most definitely untrendy are back in fashion, fetching from \$60,000 upwards. South of One Tree Hill a band of ordinary housing is changing occupiers. In the southern reaches of Roskill a mini-Pakuranga is rising from the last of the open spaces.

Once solid, settled and/or decaying, the heart of the old Auckland metropolis is alive again with movement. It is a rich hunting ground for the psephologists (students of voting habits).

## Rematch

Top of most Nationalists' targets is Onehunga. Glamour-candidate Sue Wood is trying to unseat salt-of-the-earth Fred Gerbic, who beat her in last year's by-election.

Gerbic has a special importance for Labour: not only is he



Fred Gerbic... "ethnic"

"ethnic" (a Dalmatian by descent); he is also a working class trade unionist — and there have not been too many of them come into Labour's parliamentary ranks in the past 10 years.

Mind you, even he is not strictly a real trade unionist, having spent the last decade as an industrial mediator (and a good one) after moving on from Tony Neary's Electrical Workers Union. Nowadays he lives not down on the flat among the proletariat but on the heights above Manukau Harbour.

But Gerbic is such a rarity that he is already an understudy for the labour portfolio in a Labour Government. As one senior Labour man put it, Gerbic is positioned behind official spokesman Eddie Isbey

(former waterfront unionist) like a pursuit team cyclist.

Gerbic radiates an unpretentious, down-to-earth pleasantness. He seems made to order to hold the working class vote.

Party workers in a revitalised electorate organisation seem delighted to be working with him after years of safe-seat fiefdom under Hugh Watt and a half-decade of Frank Rogers' idiosyncrasies.

They are claiming more than 30 canvassers in the field and insist they find no swing against Labour.

But Onehunga is not just working class. It is three electorates in one.

In the north is tree-lined true-blue Epsom. To the east is 50-50 Ellerslie, which leans a little Labour's way, and from there a band sweeps westwards to the north of Onehunga township to Royal Oak and down to the sea, getting gradually more National as one goes.

In the south on the flat is dense Labour territory, with 70 per cent-plus shares of the vote. Getting Epsom out to vote for National is crucial. In 1978, a lot stayed home, in protest at Prime Minister Robert Muldoon's abrasiveness.

In the 1980 by-election they came out for nice Sue Wood, and gave Labour poll-watchers a fright as their early results suggested a pro-National swing on by-election night.

But they might stay home

again, given good cause (too strong and illiberal a Government line over tour protests?). Labour has opened a new branch there and claims softness in National support.

National's hopes centre on the south-west corner of the electorate, where a sort of suburban renewal is under way. Wood lives there herself and is almost symbolic of the change, having moved there from Epsom four years ago.

The by-election showed signs of a shift in voting patterns and this has been confirmed by re-



Sue Wood... glamour

cent canvassing figures and house meetings.

Wood is star quality within the National Party.

Still only 32, she is in her fifth term as woman vice-

president. That has been a role for token women in the past, but Wood — though possessing all the hat-and-gloves style a top National woman needs — has proved a list learner.

A few years ago, an acquaintance could refer to her as "scutty". She is still a bit green in some respects, but has proved unexpectedly adept at exploiting the networks inside the George Chapman National Party to promote a new brand of pushy, liberal women.

Backing her is another pushy young high-flier, 29-year-old public relations executive Murry McCully who is stirring the previously moribund local organisation into life.

His link dates back to 1975 when he enticed like-mindedly liberal young mother Wood (husband Terry, "Mr Sue Wood", two daughters) into helping on his near-successful campaign for Auckland Central.

## Safe bets

Auckland Central has tantalsed National for some years. In 1969 it hoped Tongan lawyer Clive Edwards might do the trick. Then in 1975 there was McCully.

This year there is a token Cook Islander, Doris Reid, but Labour's tumbristrous candidate for worst-dressed man of the decade, Richard Prebble, should not be troubled. National's hopes for that seat are



Ian Scott... disarming

longer-term, when the housing regeneration is complete.

Much the same goes for Mt Albert, which fell into the marginal class after 1975, but which should be safe this time for Labour in the hands of political studies lecturer Hela Clark.

Clark is arguably the most powerful woman — at 31 — in the Labour Party. A close friend of president Jim Anderson and probably instrumental in getting him elected, Clark chaired the important margin seats strategy committee.

## High hopes

Three seats, three women candidates. So it is also in Roskill where Cheryl Parsons

# be swamped in 'nouveau (National) riche' tidal wave?

hopes for another National upset.

Roskill drifted into National's vision on the 1975 high tide when lawyer John Priestley, these days a member of the Cinematograph Films Appeal Board and a deputy chairman of the Auckland division of the party, was only 530 votes short of unseating veteran Arthur Faulkner.

Self-made restaurant chain owner John Banks watched the tide ebb in 1978 and has gone off to greener(?) pastures in Whangarei. But there is a school of thought in Auckland which rates Roskill as National's best chance.

Priestley is keeping a close eye on the campaign and Remuera electorate ex-chairman John Peebles has been enlisted as campaign manager. Any sort of swing to National in Auckland, it is argued, could tip a gentrifying Roskill its way.

At 36, Parsons, a finance company executive, would once have been called a young candidate. But in Roskill she is the oldest of the three: Labour's Phil Goff is 29 and Social Credit's Chris Lynch 30.

Parsons is liberal and sedately determined, a refugee from Aussie Malcolm's conservative Eden electorate organisation where once she held branch office. Goff is — or has been — radical left and vigorous, a sharp contrast with the gladi-

handing conservatism of outgoing Arthur Faulkner.

Faulkner has watched the flood of state houses into the electorate in the early 1950s tip it Labour's and his way in 1957 and has seen the influx of "executive-type" own-your-own houses push the tide back the other way.

If Goff succeeds in holding the seat he may have his work cut out to hold on to it over the long term. But he is no novice: he was Mike Moore's campaign manager during his Eden days.

A few months ago that "if" had some substance, with Labour trailing National by 10 points countrywide in the polls and by even more in Auckland. But, with the gap closing and the fears of a Labour-sapping



Aislinn Malcolm... threatened

Social Credit surge subsiding, the prospects of a National gain have somewhat receded.

## Offbeat

But, if Labour breathes easier about Roskill and Onehunga, it is not cocky about its chances in Eden.

For a start it took a risk in selecting Ian Scott, one of the Anderson inner circle and New Zealand's most public homosexual.

In these enlightened days it seems preposterous that Scott's sexual orientation, as the current jargon puts it, could count against him. But some party conservatives think so.

They would not think so if they could see Scott in action. Face to face he is disarmingly charming to — and charmingly disarming of — his critics.

He is one of the few candidates who is wholly at ease with children. When leader Bill Rowling visited a mentally handicapped centre earlier this year with Scott, the only way some of the young kids could be enticed close enough to Rowling for a photograph of the two was for Scott to stand behind him, magnet-like.

Whatever the misgivings of older hands, and despite (or because of) a somewhat electrically offhand, jokey attitude on Scott's part, his campaign seems to have some momentum.

As betis the electorate, the



Epsom... vital area for National

campaign has a distinct quirkiness. Fund-raising is not by the usual mundane methods such as house games or flea markets; Labour in Eden sells souvenir posters of Mt Eden with a white dove above painted by Pat Hanly (in, of course, a limited edition).

Reviewed well in the *Auckland Star*, the posters are now going for up to \$100, framed, in Remuera — with the "Dr Ian Scott, Labour, Eden" subscript removed, to protect Tory sensibilities.

Eden is that sort of electorate: a bit offbeat, with transiting students (though fewer than once), immigrating trends buying up and doing up dreadful tacky-tacky houses,

Labour's John Hinchcliffe. But they didn't. So Malcolm stayed.

Eden will not lack interest. For 30 years or more it has been a marginal seat and it is again this year.

But its very marginality masked a gradual shift towards National, evident in the 1960s as John Rae held on to it with paper-thin majorities, election after election, even as National's support declined elsewhere.

In 1975 that drift became starkly evident and 1978 reinforced the underlying pattern, with a lower-than-average swing to Labour. That makes Scott's task all the harder and puts Eden as a longshot in the prediction lists.

There is an added complication. The Social Credit candidate's name is also Scott (Alan).

He added his own characteristically different touch to the campaign with a leaflet which invited voters to tell him what they thought about key issues and join Social Credit, with the chance of winning a prize.

He has had 300 replies, enough to warm his hopes by, and to bring him to new members.

But the value of the exercise should not be measured by response alone. Alan Scott's leaflet has helped keep Eden that little bit offbeat.

# There are Gins, and there's Tanqueray

## Special Dry



## Way out west . . . three parties reach for holsters in

WEST Auckland is three-way country. Battling it out in what they see as marginals, Labour and National cannot forget there is a third contender.

If Social Credit finished up with 30 per cent of the vote countrywide in November, Helensville and Waitakere would be likely gains.

There is nothing particularly surprising in that. West Auckland has always been more sympathetic to Social Credit than the more settled parts of the metropolis.

Back in the 1950s the old Waitakere and Waitemata electorates were returning up to twice as many votes for the

league as in the electorates on the isthmus.

In 1978, Social Credit took 4510 votes, or 23.4 per cent of the vote, in Helensville, which is better than the 20 per cent it got in East Coast Bays and hard up behind its performance in the Waikato rural seats and in Hastings, where deputy leader Jeremy Dwyer had high hopes of winning.

Waitakere, with 3731 votes, scored 19.1 per cent for Social Credit, putting it fifth in the Auckland region behind three others in the 19 to 20 per cent bracket.

Why west Auckland should have been more sympathetic to

Social Credit than the rest is not easy to define.

Some of the answer may lie in a belief among west Aucklanders themselves that they are a bit different from the rest. While other Aucklanders spread themselves out from the 1950s onwards along the coastline with its obvious recreational advantages, west Aucklanders headed for the bush and the hinterland.

Certainly in Waitakere, this "difference" has made for an idiosyncratic type of National supporter.

The people who went west to the Titirangi hills en route to success have tended not to graduate on to Remuera, as

their counterparts in, say, Pakuranga, have. Instead, they have added to their modest bush-hidden houses, gradually turning the area into a sort of invisible pool of affluence.

With the growth has gone an emerging Nationalism — but of a decidedly liberal slant. People in Titirangi might go for the upmarket National wine, but they often have friends across the social democratic fence.

Two of them: Mike Wall, architect of the 1975 and 1978 advertising campaigns for National and backroom local encourager; and Bob Harvey, whose campaigns for Labour in 1969 and 1972 revolutionised political advertising and who is

helping Labour incumbent Ralph Maxwell.

Maxwell survived a National assault in 1978 by 2006 votes and so, Social Credit considerations apart, must be considered relatively safe.

But there have been reports of successful Social Credit raids down on the flats in Kelston and Glen Eden where Labour draws most of its strength.

That wild card gives National hopes of squeezing through the middle. But if it is put out of hand, Social Credit's high hopes of putting energy and environment spokesperson Pat Wojcik into the House could be realised.

Wojcik's "portfolios" and

her championing of alternatives to the Government's huge methanol and synthetic petrol programme could pick up some of the disappearing Values vote.

The fact that she lives in Glen Eden should help her filch Labour votes there (she says roughly a third of her support comes from Glen Eden). And, having been through two elections, she is a seasoned candidate.

She might also split with Maxwell the spinoff from a sense west Aucklanders have of the isthmus's poor reputation. The rail link with the central city has run down. There has been little progress with Waitakere hospital.

Maxwell is not regarded in Auckland Labour circles as the city's best organiser and much of his on-the-ground backup operation was generated from outside the electorate in 1978 — partly from the effusive machine Jonathan Hunt runs in rock-solid neighbouring New Lynn.

This should not be the case this time. The resulting earlier start to Maxwell's campaign should be better able to counter National at least.

Whether it will stem the Social Credit surge is another matter. Maxwell, not one of Labour's heavyweights, is infuriated partly by big guns in 1978

### Downie —

GAVIN Downie lives on in Pakuranga — not as an MP but as a ghostly presence, blighting the National cause.

Downie was not the most popular of MPs and when his old electorate was divided in 1974, putting his home base of Howick in the marginal Hunua seat, he was challenged and beaten for the Pakuranga nomination by Pat Hunt.

Hunt in his turn has not been one of those conspicuously "more market" MPs who appeal to electorates like Pakuranga and in some National eyes he is too much an apologist for Prime Minister Robert Muldoon. And the Downie vote — 4455 in an independent in 1978 — is apparently in no hurry to return to the fold.

Social Credit, armed with a list of Downie supporters, has been working on that vote. It hopes to "do an East Coast Bays" — win a formerly safe urban seat off National.

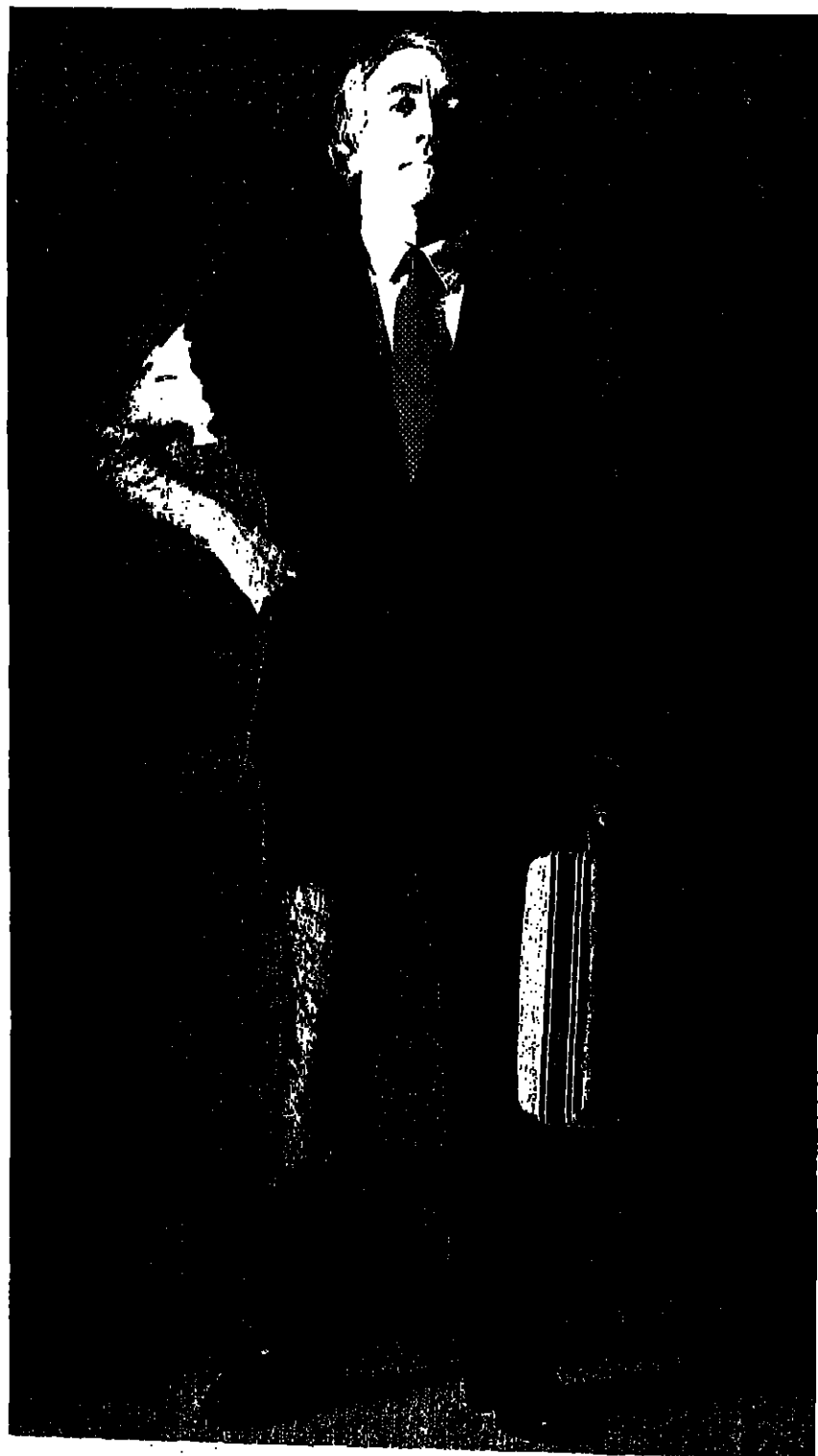
East Coast Bays also stood an independent National candidate in 1978 who took 3084 votes. When by-election time came round in September last year, Social Credit raided those votes and Labour votes to put together a winning score.

Ever since, National strategists have feared the same

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## high November noon shootouts

by saying Labour should come to an arrangement with Social Credit to avert disaster. Now he is saying Social Credit voters should return to their "rightful place" — with Labour.

National's hopes rest on an intense young lawyer, Martin Gummer, a former Young Nationals chairman. That post seems now a passport to candidacy. His predecessor (and flatmate) Murray McCully stood in Auckland Central in 1975 and is now managing Sue Wood's Onehunga campaign this time. His successor, Simon Upton, succeeded to Lance Adams-Schneider's safe seat of Waikato.

Gummer is methodical and earnest, which won him the nomination (having missed out in Whangarei). He is liberal in policy stance (which has got him badly offside with Prime Minister Robert Muldoon, who has called him "disloyal"), which goes down in Titirangi. But he does not have the much of zealotry that seems to go with the area.

Eightiness, too? After the 1978 defeat the electorate went into decay and has had to rebuild. The main impetus has come from a new branch in South Titirangi, which may lack experience but is not short on enthusiasm.

A sort of "family network" of

young mothers has been organising coffee meetings and rallies and is co-ordinating the canvass. But over the fence discussions are part of the push which is bringing the locals in to party work.

### Up north . . . in Helensville

West Auckland had always been thought "red" by Auckland Nationalists until 1975. In that year two longstanding Labour majorities in the west were severely shaken — and Dail Jones sneaked through unexpectedly in Waitemata at the upper end of the harbour.

The 1977 boundary readjustment pushed Jones northwards and westwards into comparative safety in the new Helensville seat. But in 1978 Labour's Jack Elder (one of its many schoolteacher candidates) trimmed back the paper majority to 1199.

Labour thinks it is in with a real chance this time. If so, it will be more of a local effort than last time. Young Labour activists who came in from outside in 1978 to work for someone they felt in sympathy with now have such candidates closer to home in Helen

Clark (Mt Albert) and Phil Goff (Roskill).

And a number of local activists have moved on, which has meant some internal rebuilding.

Labour's best hunting ground is in the south, among the acres of depressing under-serviced box-like tiny new houses perched on the mud of Massey by the mass developers of the late 1970s and in parts of the more settled lower-to-middle-income Henderson.

National's strength lies in the northern harbourside suburbs, including the air force bases of Whenuapai and Hobsonville, and in the wine-growing and pastoral countryside and small towns stretching up to the south side of the Kaipara Harbour.

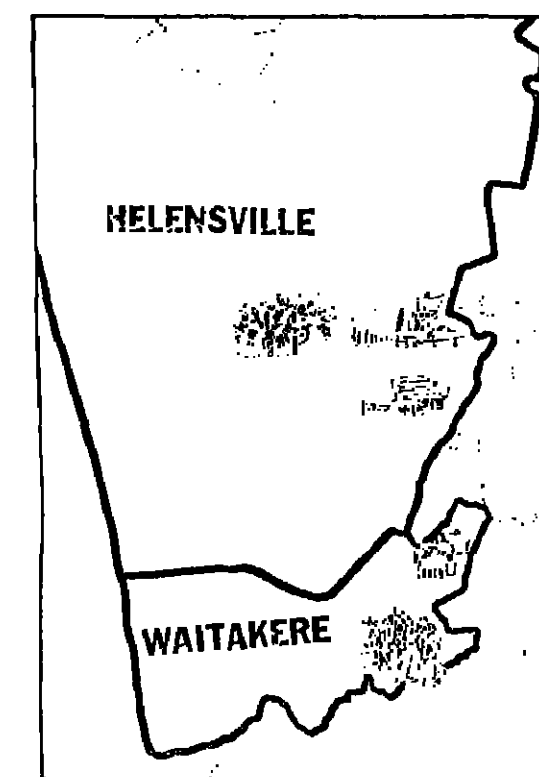
Both are vulnerable to Social Credit — among the struggling working class, trying to buy

their boxes at high repayments, among the small businessmen and among the small farmers typical of the area.

Helensville electorate borders on Kaipara, where Social Credit polled second highest last time and where Nev McConachy needs only a 2 per cent swing to win this time.

And Social Credit has a high-profile candidate in David Howes, its industrial relations spokesperson and past policy convener, who stood in Roskill in 1978.

Secrets put Helensville high on their list of urban hopes — third after East Coast Bays and Pakuranga. They say canvassing is going well and there is a good deal more interest in the secret message than in the past. Social Credit officials also believe Howes is the man to get the message across.



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# ELECTION WATCH '81

## Almost-brash Knapp: can he catch Brash napping?

IF parliamentary candidates were chosen as horses for courses, you would have to conclude there were two races in East Coast Bays.

Don Brash and Garry Knapp are two very different people: the cool, brilliant middle class economist refugee from left-leaning youth versus the good-looking, easy-mixing charmer with the down-to-earth turn of phrase.

Yet each is appropriate, though in different ways.

Brash is in tune with the market philosophy that has swept the National Party in the past two years, with particular impact in an upward-climbing electorate like the bays where even the less-well-off areas are not poor.

Knapp articulates the frustrations of the less well-off struggling with inflation and high mortgage payments in a stagnant economy; high tide people left on the beach.

The frustrations spilt over in September last year and put Knapp unexpectedly into the House.

The fire had been lit under the electoral cauldron in 1978 when disgruntled National supporters ran an alternative candidate against Frank Gill and got 3684 votes.

The National Alternatives were most vocally concerned about Gill's conservative stand on abortion in a liberal electorate. But their protest went further: Gill was seen as one of the old school in the Government, those holding back a change to a freer economy.



Don Brash... cool

Having broken away then, the Alternatives were in no mood to come back in 1980 when not enough had been done. Even though they had a "more market" National candidate they could have chosen to force the message along within the party, they clearly felt they needed to give the Government, (particularly, so surveys tell us, Prime Minister Robert Muldoon) a sharper jolt.

They were joined by much of the Labour vote. From second with 27 per cent of the vote in 1978, Labour dropped to third

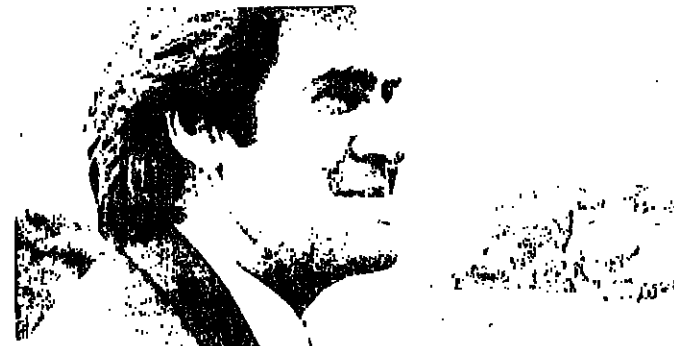
with 18 per cent. It is not really in the race this year.

There was another special factor in the by-election: Social Credit had targeted East Coast Bays as its top urban hope and had put in a team, headed by Rangitikei organiser Henry Raynall, to work on it through till 1981. When the by-election came, Social Credit was far readier than the others.

Was it an aberration? Will

vassing and up to five house meetings a month. There is a fervour about the Social Credit activists, a belief that they are on to something that, if only they can hold on to it, could produce real change.

It has attempted, though a bit falteringly, to run public "community discussion workshops" (two to three a month now, says electorate chairman Chris Hawkins) for voters to air their



Knapp with Beetham... press: No 2.

not trying to match Knapp's home ground.

Not for Brash the public. His campaign plays to strong points: a cool, brilliant economist and a man, preference for the male economy.

"If we can't move me quickly in that direction I hope to accelerate it, I am that we will not be able to do with many of the problems face currently," he says.

This attitude has amazed people in to work on his campaign team who otherwise are only loose, though National-leaning, party affiliates. There is a strong sense of being a Brash campaigner rather than simply a National ex.

There is almost a feeling it is the loyal opposition asking to change the direction of Government policy, without changing party.

The slogan painted on the

three blue and white cars starts: "Don Brash - a mind of his own."

But then comes the Brash the public figure is too clinical - the dead eyes of Knapp.

So the slogan adds: "... his heart is in the bays".

An admiral's confidence a little bit. But Brash up close, not some icy technician, would think nothing of changing you out on the spot because some account figures say you are not up to it.

He comes from a strong Presbyterian background - his father was a leading light of the church - and retains a Christian sense of social justice, being on the board of the Presbyterian Social Service Association.

That pushed him initially to the left and nearly at one stage into the Australian Labour Party. His conversion to the right was over means, not ends.

"I guess I was guilty in my younger days of assuming that the left-wing was the only party that was concerned about people. I no longer believe that and I am absolutely convinced that the free market is the most effective way of helping people."

It is not an easy message to get across and it is not helped by a clipped, precise speaking manner and a severe, organised look about the man (matching what people say about his workstyle) that contrasts with the younger (34) and more relaxed Knapp.

To get across a sense of the man warmth that there is in the man requires house meetings where he can relax a bit and relax his audience.

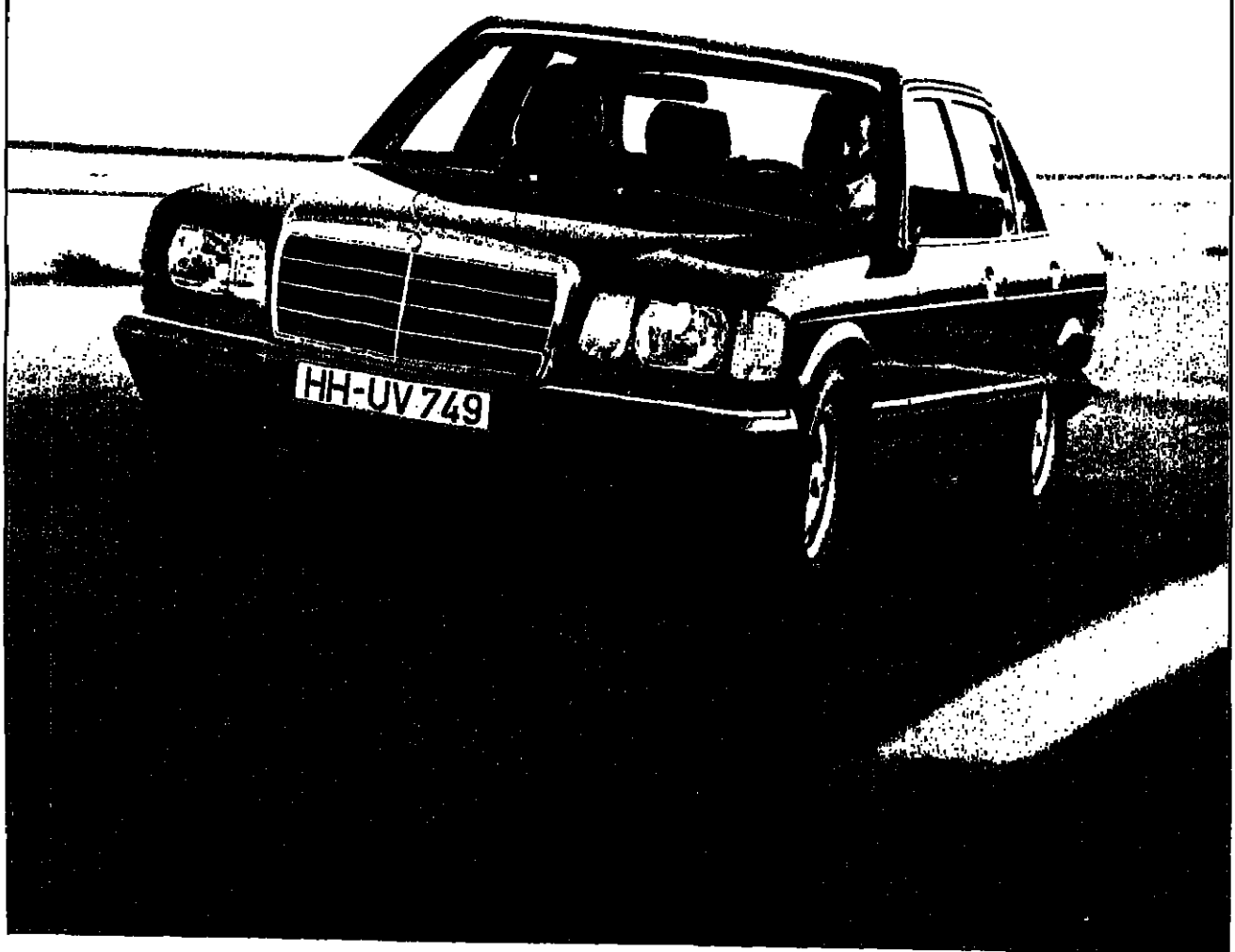
But house meetings are slow means of conversion. Meanwhile Knapp is out there glad-handing.

It is not so much a clash of styles - for the two seem to have no meeting point - but a clash of which to clash - the two completely different lanes.

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the electorate "come back to its senses" in November? That is Auckland's most fascinating question.

Social Credit has been trying to keep the momentum going with surveys, extensive can-

views to Knapp to guide him in Parliament.

Social Credit from its earliest days has believed that MPs should actually represent their electorates in all matters other than monetary policy and vote

according to their voters' preferences.

It may not all work quite as idealistically as Social Credit claim or hope. But Social Credit probably has East Coast Bays as its top urban hope and had put in a team, headed by Rangitikei organiser Henry Raynall, to work on it through till 1981.

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## The Auckland scene

## Getting computer closer to user

ON-LINE access, distributed processing, office automation; all current trends in the data processing world and all indicative of a similar movement - bringing the computer power closer to the user.

It seems a perfectly logical consequence of advancing technology; after all, we no longer expect to rely on professional operators to set up our telephone connections.

But the integration of computer power into the user's normal operations is a move fraught with difficulties and dangers. Some are reasonably obvious - there are difficulties, after all, in integrating any two historically different entities.

But many of the pitfalls are peculiar to the "information processing" integration, and are too easily obscured by the comfortable terms alluded to above.

Take, as just one example, "distributed processing". It is superficially easy to explain what that means. You take some of the power away from the central large computer and "distribute" it out to a network of small machines.

Access to the central processor and its data is there when needed, but for the most part processing can proceed at the "front end", leaving the central computer to get on with the "big" tasks without interruption.

Alternatively, it may turn out that the central computer is not even needed. A network of small machines may each process the work of the local office, with intercommunication only at the rare intervals when, say, Auckland has run out of stock of a particular item and wants to ask Wellington if it has any to spare.

The form of the network and the presence or absence of a central machine, would naturally depend critically on the organisational structure and the amount of central co-ordination needed.

But surely, the basic argument goes, distribution must simplify the workload at any point. No longer do we have to disentangle "our" data from a mass of data belonging to other parts of the company; no longer contend with them for use of one machine's processing power, and no longer have to fight through the complexities of a giant operating system.

The machine does our work, not its own.

Most important, no longer do we have to relate to a vast DP department, which becomes a separate power base and profit centre.

If DP is ever to be fully integrated with business, and if the business is thinking in terms of individual profit centres, it makes sense, surely, that the information activities relating to a particular profit centre should be controlled from that centre.

But under the single deceptively heading "distributed processing", we have already talked about four distinct things: distributed processing proper (doing the actual computing work in different local machines) distributing the data (storing parts of the information base in each location) and two aspects of distributed control (different persons at each site controlling firstly what the system does from day to day and secondly, how its capabilities are enhanced).

Any company considering a "distributed processing" system is therefore involved in

This weekly feature in NBR is compiled by Stephen Bell.

a complexity of decision. Decisions, moreover, which depend not on a static entity but on a company whose business is constantly evolving and changing.

If we are to adopt the philosophy of putting the processing power physically close to the user, this means crucial sizing decisions for present and future.

If business in Auckland unexpectedly expands, at the expense of business in the South Island, we can hardly carve a chunk off the Christchurch machine and stick it on the Auckland machine. With a centralised set-up, redistributing the workload within one machine would have been relatively easy.

This doesn't invalidate distributed processing, say the advocates of the technique. What you need is a different type of distribution, which is superior to centralised processing for entirely different reasons.

Under this scheme, the processing is not necessarily done locally to the user. Instead, it is pushed out to the machine on the network which happens to have the highest load. Input and results are all that need to be handled locally; the user need not know where in the network his task is processed, or where his data is stored.

The strength of this kind of system lies in its flexibility to cope with growing and changing workloads. Rather than indulging in the expense of a new central processor, we can "simply" expand the network.

But this lands us back with the complexity problem; the probability that most of the machines' power is tied up pushing tasks and data around the network and very little on actually performing the organisation's tasks.

There is also the unavoidable feeling that the user has lost control over his task; that the computing power is further away rather than closer.

If distributed processing really is to "bring the computer power closer to the user", either physically or conceptually, this implies a reasonably "friendly" interface: a collection of programs which talks the user's language.

The organisation doesn't want to be landed with a multiple version of the original DP department, interpreting the computer's wisdom to the people at each site who can't speak jargon.

If the system is likely to need interpretation, or if it needs frequent changes or maintenance to the programs, then you'd be better off with all your machine power and all your experts in the same place.

And we haven't even tackled the problem of distributing the most important ingredient of the system - the information.

It's relatively simple to store your Auckland records in the Auckland machine and your Wellington records in Wellington, if the business happens to be that neat, tidy and separable.

But once you run into multi-centre clients, requirements for country-wide statistics, or the simple need for one office to be aware of what the other is doing, then the complications arise again.

If Auckland wants to have a continual idea of what Christchurch is doing, or if

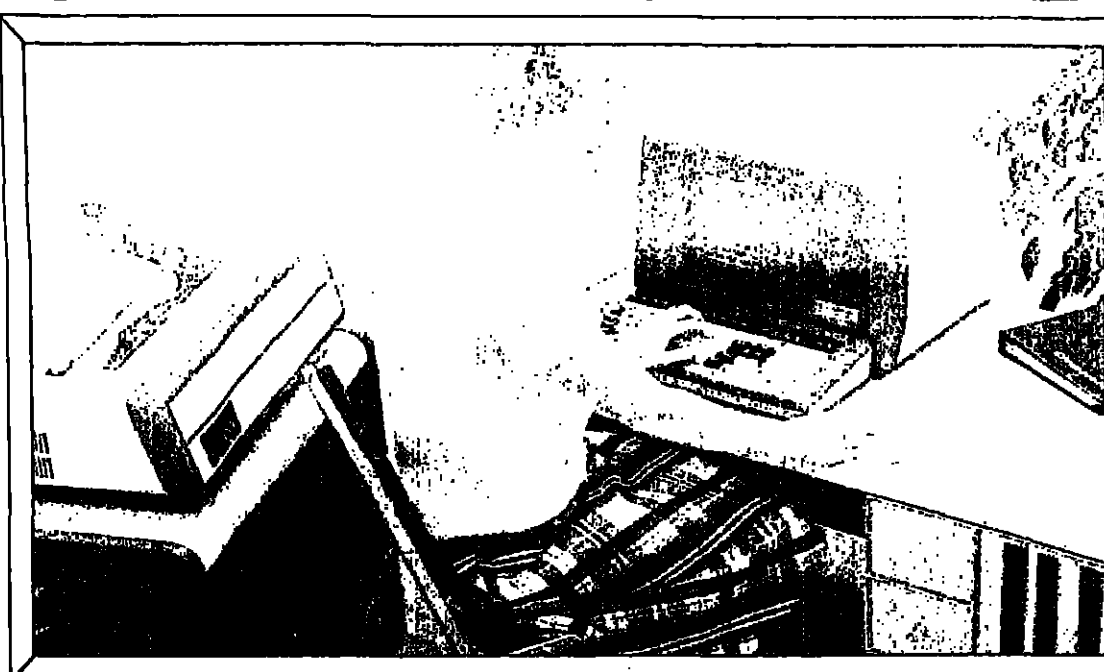
## On-line computer services

## DATA PROCESSING



ME29 marketing manager Michael Reardon and product manager Rosemary Dean brief ICL New Zealand's Neil Cameron on the new look for the company's small computer range. Full details, Page 44

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High-tide people left on the beach (figuratively?)



DATA  
PROCESSING

## On-line computer services

## Datanet extends bureau service to capital

DEMONSTRATING a continued relevance of bureau services to the small user, Datanet Services Ltd, started in Auckland four months ago, has now spawned a Wellington operation.

The two are in fact separate but associated companies, the Wellington company being known as Datanet Services International Ltd. The Auckland operation is owned by directors of Singer and Stewart — agents for Datapoint computers — and

software house Genasys, but the new entity is owned mostly by its three users, and only 25 per cent by Singer and Stewart.

Initially, the bureau will be running two separate on-line nodes, based on Datapoint equipment, but is looking to a future release of the Datapoint operating system which will allow a link to be set up between the two sites, said Paul Barnaby, one of the Wellington shareholders.

This, he points out, will in-

crease the attractiveness of the bureau to companies which themselves have offices in more than one centre.

Besides normal passing of files between one user's offices, he sees the eventual network being used to switch messages within and between clients, and as a vehicle for the bureau operators to "broadcast" messages to the whole user community.

Advantages, particularly to small companies are clear. If a

user is faced with unexpected peak in workload, or a breakdown in part of the equipment at his site, he can ask another user through the network "is your printer free and can I use it?" and the bureau can then route output through to the appropriate printer.

This sort of message-passing activity, Barnaby agrees, comes close to the Post Office prohibition on carrying "third party" message traffic. But users would not be separately charged

for the message-switching service, so Datanet would not actually be running foul of Post Office regulations, he claimed.

A number of bureaux are already effectively providing such services on a more extensive scale.

The new release of the Datapoint operating system, scheduled for next month, will also incorporate powerful word-processing facilities.

The three current Wellington users are Barnaby, in his

capacity as a chartered accountant, importer-exporter Jachal International and Food and Beverage Systems, which itself runs a processing service for several restaurants.

The users wanted an interactive computer system, but it would have been uneconomic for either to acquire their own in-house machine. Combining forces on Datanet made the operation viable.

The same happened in Auckland. Besides offering the users the computer power they needed at an economical rate, Datanet gave Singer and Stewart a demonstration computer system and Genasys a vehicle for software development, said S and S director Ian Stewart.

The bureau expects that it will remain small, with eventually about six to eight Wellington users. All would be in close communication with the bureau and would have applications designed for their own specialist needs.

## Intelligence, emphasis on the 'elle'

by Stephen Bell

THIS computer business, like many, is subject to frequent criticism about implied service in its documentation and other writings — like mine.

Let me put it on record: I agree that there is no justification for always referring to a programmer as "he" and a data preparation operator as "she", despite the fact that the sex balance in these occupations is overwhelmingly the way.

Usually I can get round this by saying "programmers" or "they", but if one is required to refer to one programmer only, what does one do? You can't keep on saying "the programmer", and "he or she" is equally cumbersome, when repeated several times.

The alternative is a new set of "genderless" words, as suggested by British computer man and philologist David Firnberg. I once saw a Chinese cookbook get around it by inventing the word "he" — which may be easy to pronounce in Chinese, but hardly fits well to the English language.

No, we'll just have to accept some linguistic conventions and give thanks that we're not speaking French or Italian, where most things, if not all, are unequivocally M or F.

You can't even get away with the "they" trick in French: it has to be either "ils" or "elles" and traditionally, even if you have only one male on your programming staff, or in your punch-room, they all become "ils".

But at least the French have provided me with one comeback. The next time someone starts complaining about how all delicate objects — like flowers and 10,000-ton ships — are allotted the female gender, and certain pursuits and personal characteristics are regarded as female, I will point them to an invitation I have just received to a congress on "Intelligence Artificielle". Yes, despite all male hints to the contrary, and all their fences, in other parts of the language, the French consider intelligence to be female.

## On-line computer services

DATA  
PROCESSING

## Overseas 'timesharers' invading NZ market in force

NEW Zealand has been subjected to an invasion of overseas-based computer timesharing services in the space of a few months.

Following the formation of a local Computer Sciences subsidiary comes the joint Marac ATAC venture and the incursion of Control Data's Cybernet and Call/370 services.

The large American and Australian-based timesharing bureaux have been drawn here not only by the prospect of a role in major energy-based industrial developments, but by a wider-ranging "sophisticated market" in specialist computer applications which had "hardly been touched", said CD data services manager Ross Greenwood.

Above the conventional accounting applications and the occasional specialist reporting tools, there was a whole "pyramid" of major tasks — market research, project control, corporate business modelling and planning, technical processing — relevant to the firm's specialists and senior management. These had barely been tackled either by in-house DP departments or by local "timesharing" services, he suggested.

It is easy for a locally-based firm to hook a few terminals onto a small machine and call itself a timesharing bureau, he told *NBR*; but they are not offering "what's internationally known as timesharing". That, he insisted, should include provision of up-to-date versions of specialist software packages with expert back-up support.

"Real" timesharing bureaux, in Greenwood's eyes are in the game of "selling technology, not computer cycles": they do not approach the market with run-of-the-mill accounting packages likely to lose their custom as soon as the user can afford an in-house computer.

Acknowledging that computer power is becoming cheaper and that perhaps 90 per cent of computing will be done on the user's own premises in due course, Cybernet and its rivals aim to pick up the 10 per cent which remains uneconomic for in-house operation.

It is probably not practical, Greenwood argues, for most companies to acquire, say, a large engineering or financial analysis package with all the background resources required to apply it to their own problems. But they may, nevertheless, have use for one.

The trend to "distributed processing" will help the progress of the major timesharing bureau, he argued. The typical distributed network of minis is an efficient way of handling that 90 per cent of the company's workload; but there is no way the large complex packages would even fit on such a system, even if the user were willing to make the other commitments required.

The only other company providing such large-scale software and back-up services at present, he claims, is Computer Sciences New Zealand, which, like the CD Cybernet service, jumped into New Zealand from the United States via an Australian springboard.

CD's Cybernet processors are based in Melbourne, with a link via Sydney to local access points in Auckland and Wellington. For the really exceptional jobs, the customer has recourse to the central processors in Cleveland, Ohio.

The user's normal interface would be through a 30-character-per-second terminal, but more powerful front-end minicomputer systems could be provided with the Cybernet connection, in the link could be fed into the user's existing in-house computer system.

The Cybernet service is particularly strong on engineering, planning and project control aids, and, like CSNZ, Control Data has an eye to the country's upcoming large energy-based projects.

This, Greenwood acknowledged, was one of the basic reasons for extending into New Zealand at this time.

Apart from these Government-sponsored projects, the bureau will be approaching chiefly the larger companies. There are probably "only about 40" organisations in New Zealand who are really Cybernet prospects, said Greenwood.

Timesharing services, he argued, fell very much in line with this supplement's theme of "bringing the computer closer to the user."

The conventional bureau could be compared to a dry-cleaners. Input data and job re-

quests were "handed over the counter" and returned some time later. "It may be done through a remote-job-entry terminal, but essentially it's the same thing. All the talk is of turnaround times."

On interface with the user, the attitude of many conventional bureaux was one of "you stick to your business, Mr User, and we'll stick to ours," Greenwood alleged.

Timesharing services worthy of the name maintained close communication and co-operation with the user — and it was invariably the "end-user" — the financial analyst, the structural engineer, the person who knew the application — rather than the user to operate, with the bureau's own specialist staff always on hand to give advice

and assistance where needed "more like a laundromat than a dry cleaner".

CD has already begun to recruit applications specialists locally, but Greenwood admitted that the company might have trouble acquiring staff in New Zealand with the right attitude for the marketing of this kind of service.

"It's a people-driven business, dependent on continuing goodwill," he said. To draw another comparison, timesharing was like guerrilla warfare. Selling of computing equipment and services in New Zealand to date, had been done rather in the "trench warfare" style.

"You all line up round Hill 19, and battle away. Eventually someone takes the hill and it's all over. In timesharing, there are no hills to be taken permanently."

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**IBM relents on software**

IN a move with major consequences for computing's "plug compatible" industry, IBM has agreed to supply some of its latest software to users of rival National Semiconductor's machines.

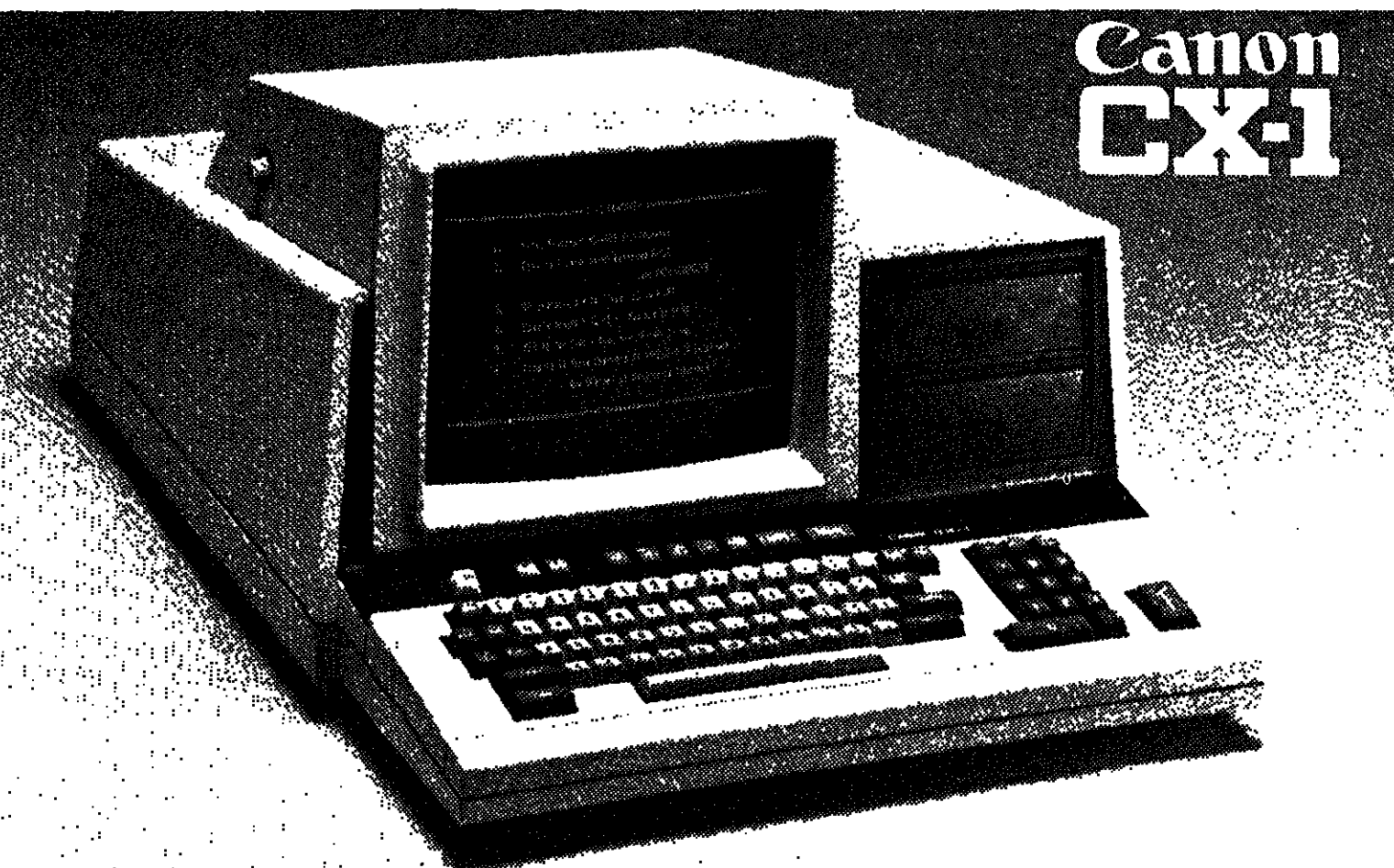
The "plug compatible" manufacturers, like National Semiconductor's advanced systems division, concentrate on making their computers look as much like IBM machines as possible, with a lower price tag.

IBM users are encouraged to switch to the lower-priced machines by the assurance that their programs will need no amendment.

IBM concedes that some of its software — notably the operating systems which administer the central functioning of the computer — are public property, and freely available to users of plug-compatible equipment.

But until now it has resisted in the case of certain "program products" which aid the operating system.

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